

*H. J. ...*  
*H. J. ...*  
*...*

**PETITION AND TRANSCRIPT OF RECORD**

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**SUPREME COURT OF THE UNITED STATES**

**OCTOBER TERM, [REDACTED] 1926**

**No [REDACTED] 291**

**THE UNITED STATES, PETITIONER**

**vs.**

**THE S. S. WHITE DENTAL MANUFACTURING COMPANY  
OF PENNSYLVANIA**

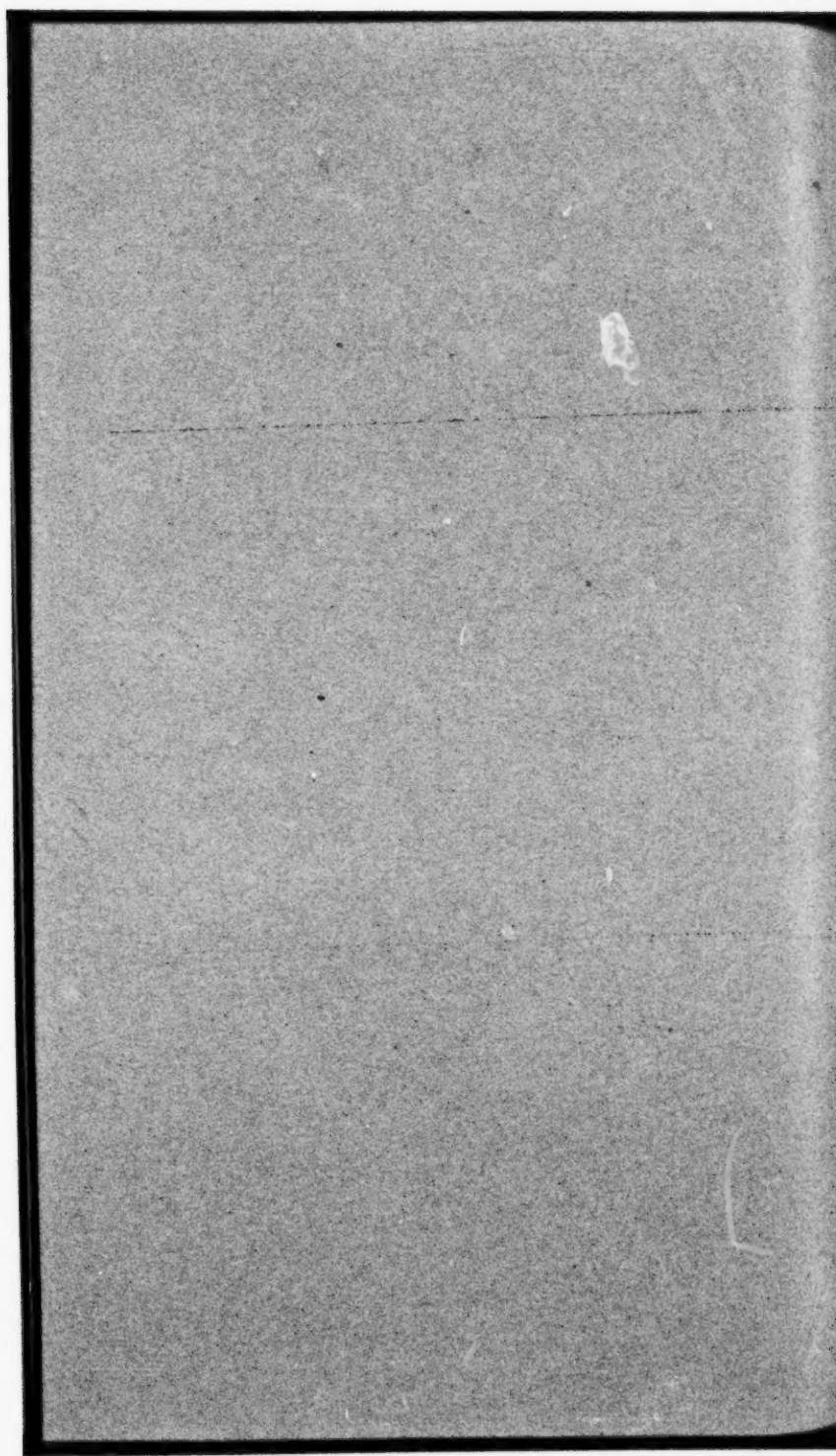
**ON WRIT OF CERTIORARI TO THE COURT OF CLAIMS**

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**PETITION FOR CERTIORARI FILED FEBRUARY 5, 1926**

**CERTIORARI GRANTED APRIL 19, 1926**

**(31680)**



# SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1925

No. 957

THE UNITED STATES, PETITIONER

vs.

THE S. S. WHITE DENTAL MANUFACTURING COMPANY  
OF PENNSYLVANIA

ON PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF  
CLAIMS

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A In the Supreme Court of the United States

October term, 1925

No. —

THE UNITED STATES, PETITIONER

v.

THE S. S. WHITE DENTAL MANUFACTURING COMPANY  
OF PENNSYLVANIA

*Petition for writ of certiorari to the United States Court of Claims*

The United States of America prays that a writ of certiorari issue to the United States Court of Claims directing that court to certify to this court the record in the case of The S. S. White Dental Manufacturing Company of Pennsylvania v. The United States, No. D-537, in that court, in order that the decision and judgment of said court, rendered on November 9, 1925, may be reviewed.

STATEMENT OF THE CASE

B The claimant sued to recover taxes paid by it under protest in the amount of \$83,813.59, alleged to have been illegally collected, and claim for refund of which had been denied. The basis of its claim was that it had sustained a deductible loss during the year 1918 within the meaning of section 234 (a) (4) of the revenue act of 1918 (chap. 18, 40 Stat. 1057, 1078), but which had not been allowed by the Government in the computation of its net taxable income for 1918.

The claimant had a subsidiary company in Berlin, Germany, the property of which was seized on March 19, 1918, by the then Imperial German Government, acting through an agent known as the sequestrator. In its tax return for the year 1918 the claimant deducted a loss of \$110,764.34. Later an amended return was filed and a loss of \$130,764.34 was deducted for the year 1918.

In Finding II of the Court of Claims it is stated that the investment was charged off the books in 1918. What is meant by this finding is explained in Finding VIII, which sets up the resolution of the board as follows:

C "Stated meeting, board of directors, July 29, 1918. The S. S. White Dental Mfg. Co., m. b. h., Berlin

"Whereas The S. S. White Dental Mfg. Co., m. b. h., Berlin, represents the following investments in this company's assets as of December 31, 1917:

A-19, capital stock-----	\$15,000.00
B-28, furniture & fixtures-----	7,046.26
B-17, open accounts-----	\$127,670.75
Less formerly adjusted-----	18,952.67
	<hr/> 108,718.08
	<hr/> 130,764.34

and

"Whereas in 1916 there was charged as a reserve against this amount the sum of \$20,000; and

"Whereas under continued condition of war the loss will, in the judgment of this board, soon be complete:

"RESOLVED, That additional reserves be set up on the following basis, viz, \$15,000 quarterly, beginning March, 1918, until liquidated."

This amount, claimed as a loss, was the investment of the claimant in the subsidiary company as shown by the books on December 31, 1915, at which time the last authentic report was received. This loss was disallowed by the committee on appeals and review of the Internal Revenue Bureau and by the Commissioner of Internal Revenue, because it was not a closed and completed transaction.

The property of the Berlin company was released and returned to the claimant or its subsidiary on March 14, 1920. The physical assets and leasehold of the subsidiary were sold by claimant in 1922 for \$6,000. In 1923 the claimant filed a claim with the Mixed Claims

Commission against Germany in the total sum of \$368,333.32  
D on account of the loss of its subsidiary, and on January 30, 1924, was notified by the agent of that commission that the claim had been allowed for \$70,000, with interest at 5 per cent from February 1, 1920, to the date of payment.

The Government contended that the charging off of the loss for 1918 was of no effect of itself and that no loss could be deducted under section 234 (a) (4) of the revenue act of 1918 (hereinafter set out), unless the loss was actually sustained as evidenced by a closed and completed transaction. On the Government's theory there was no closed and completed transaction in 1918.

The Court of Claims held that "the plaintiff suffered such a loss as the statute contemplated when losses were made deductible by its terms."

#### THE STATUTES

The pertinent parts of the revenue act of 1918 (40 Stat. 1057) are as follows:

"SEC. 232. That in the case of a corporation subject to the tax imposed by section 230 the term 'net income' means the gross income \* \* \* less the deductions allowed by section 234. \* \* \*"

"SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

"(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise."

E

## THE ISSUE

Did the claimant, under the facts in this case, sustain a loss during the taxable year 1918 not compensated for by insurance or otherwise, as a result of the sequestration of the property and business of the Berlin company by the German Government on March 19, 1918?

## REASONS FOR GRANTING THE PETITION

1. In the view of the petitioner the Court of Claims erred in deciding in effect that the claimant could take a deduction for a loss not evidenced by a closed and completed transaction.

2. The Internal Revenue Bureau has always provided in its regulations, which it has consistently carried out, that no loss could be deducted unless it was actually sustained, as evidenced by a closed and completed transaction. There are practically no decisions of the courts on this point.

The question involved is an important one, as it will affect all taxpayers who had property in Germany seized by that Government and who presented claims to the Mixed Claims Commission. The amount involved is very large even in the narrow field of this class of taxpayers, but the decision may reach all claims for refund based on losses sustained.

Wherefore it is respectfully submitted that this petition for writ of certiorari to review the judgment of the United States Court of Claims should be granted.

WILLIAM D. MITCHELL,

*Solicitor General.*

HERMAN J. GALLOWAY,

*Assistant Attorney General.*

FRED K. DYAR,

*Special Assistant to the Attorney General.*

JANUARY, 1926.

1

In Court of Claims of the United States

No. D 537

THE S. S. WHITE DENTAL MANUFACTURING COMPANY OF PENNSYLVANIA

VS.

THE UNITED STATES

*I. Petition*

Filed July 24, 1924

*To the Honorable the Chief Justice and Judges of the Court of Claims:*

Your petitioner respectfully shows unto your honors the following facts:

1. Petitioner is a corporation organized and existing under the laws of the State of Pennsylvania with its principal office at

Philadelphia, in said State, for the purpose of manufacturing and selling artificial teeth, dental tools, instruments and articles of all kinds, and preparations, apparatus and articles useful or convenient in the science and practice of dentistry and oral surgery.

2. The said The S. S. White Dental Manufacturing Company of Pennsylvania, parent corporation of The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, made an income and profits tax return and also an amended income and profits tax return to the United States Commissioner of Internal Revenue of its income for the year 1918 (Exhibit A), and deducted as a loss in its said United States income and profits tax return the sum of \$110,764.34, and in its amended income and profits tax return it deducted \$130,764.34 for the year 1918, made to the said United States Commissioner of Internal Revenue, being the value of all the assets of The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, which were shown on the books of The S. S. White Dental Manufacturing Company of Pennsylvania in 1918, and which is called its Berlin loss, for the reason that under date of March 19, 1918, Herman Ubert, resident manager of The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, was notified by one Emil Meyer, a representative of the then German Imperial Government, that he had been appointed sequestrator by the then German Minister for Commerce and Manufacturers, and by said authority on March 19, 1918 (Exhibit B), did seize and sequester the property of The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, for the use of the then Imperial German Government. The property seized and confiscated by the sequestrator consisted of fixtures, cash, book accounts, merchandise stock, and accounts due and owing the said company. Because of the aforesaid loss of property, which belonged to The S. S. White Dental Manufacturing Company of Pennsylvania, the amount of \$130,764.34 was charged off the books of it, the parent corporation, The S. S. White Dental Manufacturing Company of Pennsylvania, in the year 1918, as that was the exact amount of the parent corporation's investment in The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, prior to the books of the said The S. S. White Dental Manufacturing Company of Pennsylvania in 1918.

3. The last statement received by The S. S. White Dental Manufacturing Company of Pennsylvania from The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, as shown by sequestration of The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, by the German sequestrator, showed the value of the tangible and intangible assets of The S. S. White

Dental Manufacturing Company, m. b. h., of Berlin, Germany, books on January 1, 1917, to be \$149,217.01 in United States currency.

Due to the fact that all lines of communication for commercial transactions between the United States and Germany had been discontinued as a result of the war then pending between the United States and Germany, it was not possible to reconcile the \$130,764.34, representing the amount of \$149,217.01 contained in the last statement received from The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, and, therefore, at the time of filing its income and profits tax return for 1918, The S. S. White Dental Manufacturing Company of Pennsylvania was restricted absolutely in making said deduction on its United States income and profits tax return for the year 1918 on account of its Berlin loss to the amount of \$130,764.34, appearing on its books as a loss.

4. The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, was organized on January 20, 1896, upon which date the said corporation was entered of record in the Berlin Trade Register under No. 1211. The capital of the said company at the time of organization consisted of marks 60,000, and the names of the stockholders and the amount of stock held by each at the time of organization are as follows:

	Marks
The S. S. White Dental Mfg. Co. of Penna.....	50,000
H. M. Lewis.....	2,000
W. H. Gilbert.....	2,000
J. Clarence White.....	2,000
Sam. J. Jones.....	2,000
Sam. S. White, Jr.....	2,000
Marks.....	60,000

5 In the course of time there were several changes in the register of the original stockholders enumerated above due to death, and the stock of a number of the aforesaid parties after death was acquired by The S. S. White Dental Manufacturing Company of Pennsylvania, the parent corporation. Under date of February 10, 1911, the Berlin Trade Register, at Berlin, Germany, was officially notified by The S. S. White Dental Manufacturing Company of Pennsylvania that it had acquired the outstanding shares of the other parties in The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, and from said date of February 10, 1911, the parent American corporation became the sole owner of all the stock of the said The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, and was the sole owner of said stock of said corporation at the time of said sequestration by the Imperial German Government on March 19, 1918.

5. The object of The S. S. White Dental Manufacturing Company of Pennsylvania, the parent corporation, in organizing The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Ger-

## The S. S. White Dental Mfg. Co.

[Extracts from minutes]

Stated meeting, board of directors, July 29, 1918. The S. S. White Dental Mfg. Co. m. b. h., Berlin

Whereas The S. S. White Dental Mfg. Co., m. b. h., Berlin, represents the following investments in this company's assets as of December 31, 1917:

10	A-19, capital stock-----	\$15,000.00
	B-28, furniture and fixtures-----	7,046.28
	B-17, open accounts-----	\$127,670.75
	Less formerly adjusted-----	18,952.67
		<hr/> 108,718.06
		<hr/> \$130,764.34

and

Whereas in 1916 there was charged, as a reserve against this amount the sum of \$20,000; and

Whereas under continued condition of war the loss will, in the judgment of this board, soon be complete:

Resolved, That additional reserves be set up on the following basis, viz., \$15,000 quarterly, beginning March, 1918, until liquidated.

\* \* \* \* \*

9. After the hearing on December 28, 1921, in the Internal Revenue Bureau between representatives of this corporation and representatives of the Income Tax Unit, the matter of this corporation's Berlin loss was again referred to a field agent, Paul D. Helfrich, of the Bureau of Internal Revenue, and under date of August 16, 1922, said field agent submitted his report and referred to this corporation's Berlin loss as follows:

11

"SCHEDULE 10 (A)

"Explanation of items changed

"(a) Loss, Berlin branch, is fully explained in report of Nov. 18, 1921, and disallowed, since no evidence has been submitted to show that the stock or investment was worthless."

10. In a letter of the Income Tax Unit of the Bureau of Internal Revenue dated December 21, 1922, this corporation's claim for its Berlin loss was disallowed and under date of January 5, 1923, another letter was addressed to this corporation by the said Income Tax Unit explaining why this corporation's Berlin loss deducted in its United States income and profits tax return for 1918 was disallowed stated the following:

"As pointed out to your representative in conference, the major portion of the tax is attributable to the disallowance of the loss of

\$110,764.34, claimed on account of the sequestration of your property located in Berlin, Germany, by the German Government. Careful consideration has been given to statements made both orally and in your briefs respecting the deduction in question. This office has reached the conclusion, however, that the loss was not definitely determined or ascertained during 1918, and for that reason does not meet the requirements of the statute. Property sequestered by this country and Germany during the recent war has been in most cases returned to its former owners. In the instant case the property has already been returned to you by the German Government. In view of the above, this office has disallowed the loss claimed."

11. This corporation under date of January 24, 1923, appealed from the decision of the Income Tax Unit of the Bureau of Internal Revenue heretofore set forth in paragraph 10 of this petition to the committee on appeals and review of the Bureau of Internal Revenue and pressed with earnestness its claim for deduction of its said Berlin loss in 1918 before that body, both orally and in writing, and under date of May 12, 1923, said committee on appeals and review sustained the decision of the Income Tax Unit denying the Berlin loss of this corporation and in its decision said in part:

"Upon careful consideration of all the evidence and argument presented orally and by brief, the committee finds itself unable to sustain the appellant's contention on the first point. It is the committee's opinion that the act of sequestration in 1918, in and of itself, did not result in an actual sustained loss in that year, which loss was susceptible of being measured in dollars and cents. It is also the committee's opinion, and this seems to be borne out by subsequent events, that by such act the appellant was temporarily dispossessed of property and investment in the Berlin branch with a consequent cessation of business and inability to realize possible profits during the indefinite period of sequestration. It is apparent that concurrent with the act of sequestration, there arose a right or claim against the German Government for loss or damage resulting therefrom, which right or claim at the time could not be estimated as to value by any reasonable process of calculation. Losses to be deductible must ordinarily be evidenced by a completed, or closed, transaction. Before a loss sustained during a taxable year and not compensated for by insurance or otherwise may be deducted, it must usually be evidenced by such a transaction. (Article 141, Regulations 45.) In the instant case the appellant had in 1918 a reasonable expectancy of the return of the Berlin property and business at the expiration of the period of sequestration; it became repossessed of the Berlin property and business in 1920; it sold such property and business in 1922; and it has now on file a claim for reimbursement due to loss occasioned by such sequestration."

12. Under date of September 5, 1923, this corporation received notice of assessment of \$83,813.59 from J. G. Bright, Deputy Com-



missioner of Internal Revenue, as tax on said Berlin loss of this corporation. (Exhibit C.)

13. Amended notice and demand, dated November 7, 1923, for payment to the United States of income and profits taxes in the amount of \$83,813.59 was received by this corporation from Blakely D. McCaughn, United States collector of internal revenue at Philadelphia, Pennsylvania, and under date of November 14, 1923, said amount of \$83,813.59, covering tax on this corporation's Berlin loss was paid to said United States collector of internal revenue, Blakely D. McCaughn, by check B-24937 of this corporation accompanied by written protest of this corporation (Exhibit D), dated November 14, 1923, on the ground that said payment was in no way voluntary and that this corporation was compelled by the United States to pay said \$83,813.59 in taxes on its said Berlin loss under duress and coercion.

14. Immediately after paying said amount of \$83,813.59 as taxes on this corporation's Berlin loss, accompanied by its written protest, this corporation filed a claim for refund of the said amount of \$83,813.59 paid as taxes by it on its said Berlin loss before the expiration of five years from the date when the income and profits tax of 1918 of this corporation was due, on the proper form of the Bureau of Internal Revenue (Form 843) (Exhibit E), and which was filed under date of November 24, 1923, in the Bureau of Internal Revenue and in said refund claim demanded that said amount of \$83,813.59 paid by this corporation under protest should be refunded by the United States to this corporation for the following reasons:

15. "Said amount of \$83,813.59 paid to the United States as shown by internal revenue receipt attached hereto should be refunded to this taxpayer, as said amount paid is based upon an erroneous and illegal assessment, as said assessment is based upon committee on appeals and review recommendation No. 3075 of the United States Internal Revenue Bureau that losses of this corporation in 1918 amounting to \$130,764.34 by reason of sequestration of its property 'The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany,' by the Imperial German Government, be disallowed. This taxpayer contends that it should not have been required to pay said assessment based on said losses as set forth in Bureau of Internal Revenue's letter of September 5, 1923, signed by J. G. Bright, deputy commissioner, initialed IT:CA:M-2. CEO-2114-4-App. This taxpayer insists that it has shown to the Bureau of Internal Revenue its loss in 1918 under subsection 4 of section 234 of the revenue act of 1918 and therefore the amount of \$83,813.59 is refundable to it."

15. The Commissioner of Internal Revenue under date of May 15, 1924, rejected the said refund claim (Exhibit F), filed by this



corporation on November 24, 1923, for the recovery of the \$83,813.59 paid as taxes by this corporation under protest on its Berlin loss.

16 This corporation insists that the rejection of its said refund claim by the Commissioner of Internal Revenue on May 15, 1924, is erroneous and unjust and not warranted by law, as this corporation strongly insists that it has conclusively shown to the Commissioner of Internal Revenue that its Berlin loss set forth in its United States income and profits tax return and amended income and profits tax return for the year 1918 was an actual and deductible loss sustained in 1918 and not compensated for by insurance or otherwise in 1918, under subsection 4 of section 234 of the 1918 internal revenue act for

"(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise."  
are deductible losses.

The confiscation of this taxpayer's property on March 19, 1918, by the Imperial German Government, the setting up of reserves by this corporation on July 29, 1918, to take care of its Berlin loss occasioned by the said act of confiscation by the Imperial German Government on March 19, 1918, and the writing off of its said Berlin loss on its books by this corporation in 1918, which was sustained by it in 1918, as well as deducting its said Berlin loss in its United States income and profits tax return and amended income and profits tax return for 1918, and that its said Berlin loss  
17 was not compensated for by insurance or otherwise in 1918, this corporation by the aforesaid strongly insists that it has shown a full compliance with subsection 4 of section 234 of the internal revenue act of 1918 in the deduction of its said Berlin loss in its United States income and profits tax return and amended income and profits tax return for the year 1918.

17. That no action upon your petitioner's foregoing claim has been had before Congress. That said refund claim in the amount of \$83,813.59, based on this corporation's Berlin loss, was presented to the United States Commissioner of Internal Revenue, Treasury Department, and that the total amount of said refund claim of \$83,813.59 was rejected by the United States Commissioner of Internal Revenue, and your petitioner, prior to filing refund claim, protested against the payment of the said amount of \$83,813.59 to Blakely D. McCaughn, United States collector of internal revenue at Philadelphia, Pennsylvania, in writing at the date of payment of the said amount of \$83,813.59, but to no avail, and the said United States Commissioner of Internal Revenue adheres to his said action of rejection. That no transfer or assignment of said claim or any part thereof or interest therein has been made. That said claim is now owned by your claimant, and no other person or corporation is

the owner thereof or is interested therein, and that your petitioner  
 is justly entitled to the amount herein claimed from the  
 18 United States after allowing all just credits and set-offs;  
 that your claimant has at all times borne true allegiance to the  
 United States, and has not in any way voluntarily abetted or given  
 encouragement to rebellion against said Government.

## PRAYERS

Wherefore your claimant prays:

1. That the court will render a judgment against the United States in favor of your claimant for the payment by the United States to your claimant of the said sum of eighty-three thousand eight hundred and thirteen dollars and fifty-nine cents (\$83,813.59), with interest at the rate of six per cent (6%) per annum from November 14, 1923, the date of the payment of the said amount of \$83,813.59 by claimant to the United States.

2. That your claimant may have such other and further relief as the nature of the case may require and to the court may seem meet and proper.

THE S. S. WHITE DENTAL MANUFACTURING  
 COMPANY OF PENNSYLVANIA,

By FRANK H. TAYLOR, *President*.

JOHN F. MCCARRON, *Attorney of Record*.

JOHN HAMPTON BARNES, *Of Counsel*.

19 . [Duly sworn to by Frank H. Taylor; jurat omitted in  
 printing.]

20 Subscribed and sworn to before me this 22nd day of July,  
 A. D. 1924.

WILLIAM J. RUSSELL,  
*Notary Public, State of Pennsylvania.*

My commission expires March 9, 1927.

2016

## Exhibit A to petition

(COPY)

DELIVER OR SEND  
THIS RETURN  
TO COLLECTOR OF  
INTERNAL REVENUE  
ON OR BEFORE  
MARCH 15, 1919

IF EXTENSION OF  
TIME FOR FILING RETURN  
HAS BEEN GRANTED  
THE AUTHORIZATION  
MUST BE ATTACHED TO  
THIS RETURN

Original Return  
Page 1—Summary  
Form 1180—UNITED STATES INTERNAL REVENUE SERVICE

## CORPORATION INCOME AND PROFITS TAX RETURN

FOR CALENDAR YEAR 1918

OR

Fiscal Period begun \_\_\_\_\_, and ended \_\_\_\_\_, 1918

(Print plainly corporation's name and principal place of business)

The S. S. White Dental Mfg. Company,  
211 S. 12th Street,  
Philadelphia, Pennsylvania.

Filed by \_\_\_\_\_  
Attested by \_\_\_\_\_

DO NOT WRITE IN THIS SPACE

PAYMENT

CASH \_\_\_\_\_

CHECK \_\_\_\_\_

M. O. \_\_\_\_\_

CERT. OF PAY. \_\_\_\_\_

(Cashier's Stamp)

## SCHEDULE I—NET INCOME.

Item	1918	1917	1916	1915
1. Net Income for Each Fiscal Year (as finally determined on income returns)	\$ 463,898.42	\$ 517,729.78	\$ 171,473.26	
2. Plus amount of corporation credits tax paid in each year	\$ 872.48	\$ 600.98	\$ 127.50	
3. Totals for 1913, 1912, and 1911	\$ 470,470.90	\$ 522,344.76	\$ 174,600.76	
4. Less dividends received in 1918				\$ 174,600.76
5. Net Total for 1913				\$ 302,472.14
6. Average Net Income for Previous Periods (sum of items on line 3 for 1911 and 1912 and item 5 for 1913, divided by number of years)				\$ 662,280.91

## SCHEDULE II—INVESTED CAPITAL.

Item	1918	1917	1916	1915	1914	1913	1912	1911
1. Capital, surplus, and undivided profits at the close of the preceding year as shown by corporation's books before any adjustments are made (Schedule 1, line 1)	\$ 5,724,263.55	\$ 5,540,252.93	\$ 5,557,999.77	\$ 5,867,431.28				
2. Plus adjustments by way of additions (from Schedule 1)	\$ 5,324,263.55	\$ 5,550,269.28	\$ 5,657,999.77	\$ 5,867,431.28				
3. Less adjustments by way of deductions (from Schedule 1)	\$ 5,324,263.55	\$ 5,550,269.28	\$ 5,657,999.77	\$ 5,867,431.28				
4. Balance	\$ 5,324,263.55	\$ 5,550,269.28	\$ 5,657,999.77	\$ 5,867,431.28				
5. Plus or minus changes in invested capital during year (from Schedule 1, line 2)	\$ 3,972.48	\$ 3,972.48	\$ 4,413.53	\$ 2,778.52				
6. Total (see Schedule 1)	\$ 5,328,236.03	\$ 5,554,241.76	\$ 5,662,413.30	\$ 5,870,209.79				
7. Less deduction on account of nondeductible assets (from Schedule 1)	\$ 5,328,236.03	\$ 5,554,241.76	\$ 5,662,413.30	\$ 5,870,209.79				
8. Invested Capital for Each Year	\$ 5,328,236.03	\$ 5,554,241.76	\$ 5,662,413.30	\$ 5,870,209.79				
9. Average Invested Capital for Previous Periods (sum of items on line 8 for 1911, 1912, and 1913, divided by number of years)				\$ 8,470,336.28				
10. Income				\$ 261,220.47				

## SCHEDULE III—EXCESS-PROFITS AND WAR-PROFITS CREDITS.

(If this return is made for a period less than a full year, items 2 and 3 must be reduced as provided in paragraph 1, page 1 of Instructions.)

Item	1918	1917	1916	1915	1914	1913	1912	1911
1. Eight per cent of invested capital for taxable year (Item 8, Schedule 1)	\$ 426,260.28							
2. Exemption (\$3,000)	\$ 3,000.00							
3. Excess-Profits Credit (Item 1 plus Item 2)	\$ 429,260.28							
4. Average net income for previous period (Item 6, Schedule 1)				\$ 322,472.14				
5. The 1% of increase of income 10% of decrease shown by Item 1, Schedule 1				\$ 32,127.03				
6. Total or (see Instructions) (Items 4 and 5, or (a) 10% of investment credit for taxable year (Item 8, Schedule 1), whichever is larger)				\$ 354,599.17				
7. Exemption (\$3,000)				\$ 3,000.00				
8. War-Profits Credit (Item 6 plus Item 7)				\$ 351,599.17				

## SCHEDULE IV—COMPUTATION OF TAXES.

(If this return is for a period less than a full year, items 1 and 2 must be reduced as provided in paragraph 1, page 1 of Instructions.)

Item	1918	1917	1916	1915	1914	1913	1912	1911
1. Income								
2. Net income 10% of invested capital	\$ 426,260.28							
3. Total	\$ 429,260.28							
4. Net income for taxable year (Item 7, Schedule 1)	\$ 429,260.28							
5. Less amount of war-profits credit (Item 8, Schedule 1)	\$ 426,260.28							
6. Balance	\$ 3,000.00							
7. Total War-Profits and Excess-Profits Tax as computed under Section 302 (a) (Item 5 column 6 plus Item 6)								
8. Total War-Profits and Excess-Profits Tax, or Proportion Thereof Section 302 (b) (1) or (2) (see Instructions, page 1, paragraphs 2 and 3)								
9. Income Tax								
10. Proportionately taxable year (Item 7, Schedule 1)	\$ 429,260.28							
11. Tax on 1% of net income 10% of invested capital	\$ 426,260.28							
12. Total tax (Item 10 plus Item 11)	\$ 852,520.56							
13. Less income tax previously paid or credited to taxpayer (see Instructions, page 1, paragraph 4)	\$ 852,520.56							
14. Balance	\$ 3,000.00							
15. Total War-Profits and Excess-Profits Tax (Item 14 plus Item 13)	\$ 3,000.00							
16. Total War-Profits and Excess-Profits Tax, or Proportion Thereof Section 302 (b) (1) or (2) (see Instructions, page 1, paragraphs 2 and 3)								
17. Total War-Profits and Excess-Profits Tax (Item 16 plus Item 15)								
18. Total War-Profits and Excess-Profits Tax (Item 17 plus Item 16)								
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98. Total War-Profits and Excess-Profits Tax (Item 97 plus Item 96)								
99. Total War-Profits and Excess-Profits Tax (Item 98 plus Item 97)								
100. Total War-Profits and Excess-Profits Tax (Item 99 plus Item 98)								

## Page 6—Invested Capital Schedules (Concluded) and Questions.

## SCHEDULE L—INADMISSIBLE ASSETS.

Has the corporation any inadmissible assets (i. e., stocks, bonds, and other obligations,

except obligations of the United States, the income from which is not taxable)?

If so, attach hereto a statement showing for 1911, 1912, 1913, and the taxable year,

separately, the income from the assets in (a) to (j) of this schedule.

If the income from such assets consists in part of gain or profit from the sale or other

disposition thereof, or if all or part of the income derived from such assets is in effect

included in the net income because of the limitation on the deduction of interest under

Section 254 (a) (2) of the Revenue Act of 1913, then a corresponding part of the capital

invested in such assets is deemed to be inadmissible assets. In such case, set forth in detail—

(a) The various kinds of income derived from such assets and the computation of the

part of the capital invested therein which is deemed an inadmissible asset.

For the purpose of this schedule, inadmissible assets shall be valued at cost of acquisition

as well as if the taxpayer has in previous years been allowed a deduction on account

of the loss in the market value of securities, such assets shall be valued at cost, less the deduction

allowed. Admissible assets shall be valued as provided in Sections 108, 109, and 111

of the Revenue Act of 1913 and Articles 31, 32, 33, 34, and 35 of Regulations 11. The

average amount of assets of each kind held during any year may ordinarily be determined

by dividing by 3 the sum of the amount of such assets held at the beginning of the year

## KIND OF BUSINESS.

1. Explain below the nature of the corporation's business in sufficient detail to show

in which of the following general classes of activities it falls:

(1) Agriculture and related industries, including fishing; (2) mining, quarrying, and

related industries; (3) manufacturing; (4) construction; (5) trading; (6) transportation;

(7) service; (8) other services; (9) banking and insurance.

2. If the business falls in any of the classes from 1 to 8, state the special product or

products handled; if in class 9, state whether wholesale or retail; or both. If in class 1, state

whether rail, water, or other, whether general or local, and the special transportation (if

any) transported; if in class 2, state the special transportation (if any); or the special

kind of service rendered; if in class 3, state the kind of banking or insurance engaged in.

3. In all cases state whether the corporation acts as principal (using its own capital)

or as agent or broker (on commission) or as both.

(a) Main business—Manufactures and sale of Dental Supplies

(b) Collateral business, if any—None

## OTHER CONCERNS IN SAME BUSINESS.

4. Enter on the following lines the names and addresses of five representative concerns

in your locality or section of the country engaged in the same kind of business:

The L. D. CAINE COMPANY, Milford, Dela.

S. J. Jett &amp; Sons, Philadelphia, Pa.

The Dentists Supply Co., York, Pa.

The Hittler Dental Mfg. Co., Rochester, N. Y.

The Cleveland Dental Mfg. Co., Cleveland, Ohio.

## INCORPORATION.

5. Date of incorporation—July 1st, 1901

6. Under the laws of what State or country?—Pennsylvania

## PREDECESSOR BUSINESSES.

7. If the corporation was not in existence during the whole of any one of the calendar

years 1911-1913, in the business substantially a continuation of a business carried on during

any one or more of these years? If so, give name under which, and

address at which, the business was then carried on—

## ACQUISITION OF MIXED AGGREGATES OF ASSETS.

8. Did the corporation ever take over a going business or otherwise acquire a mixed

aggregate of tangible property, patents and copyrights, and good will and other intangible

intangibles property, and pay for such property in whole or in part with stock or other

securities?—No

9. If so, submit a statement showing—

(a) The name of the concern taken over (or from which the property was

acquired);

(b) The nature of the assets and liabilities so acquired;

(c) The total fair value of the stock issued therefor;

(d) The value at which each class of assets was carried on the books of the concern

from which acquired (if obtainable submit a balance sheet of the prede-

cessor corporation as of the date of acquisition);

(e) The value at which each item was carried on the books of the corporation

making this return.

10. If patents, copyrights, secret processes or formulas, good will, trade-marks, trade

brands, franchises, or other intangibles in property were acquired, state also the items on which

their value was determined and how they were paid for.

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for him

deponent and says that this return, including the accompanying schedules and statements, has been examined by him and is to the best of his

knowledge and belief a true and complete return made in good faith pursuant to the Revenue Act of 1913 and the Regulations issued thereunder.

Signed to and sub-

scribed before me this 11th day of June, 1913.

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and the amount held at the end of the year. In such case the amount of inadmissible assets

may best be determined from (1) the balance sheet as of the beginning of the year

(2) the balance sheet as of the end of the year; and (3) the balance sheet as of the

end of the year correspondingly adjusted. But if at any time during the year the

material change has taken place in the amount of such assets, the average amount must be

determined as provided in Article 31 of Regulations 11. In such case, state in detail—

(a) The computation of such average.

(b) Amount of inadmissible assets held at beginning of the year.

(c) Amount of inadmissible assets held at end of year.

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SCHEDULE A4 - Part 2.

Interest on First  $3\frac{1}{2}$  Liberty Loan \$ 64.87

SCHEDULE A5

Notes Receivable & Bank Deposits \$ 11,416.06

SCHEDULE A12.

Salaries	705,171.10
Traveler's Expenses	111,858.52
Advertising Expenses	223,562.86
Developments & Betterments (Mech. Experimental Expenses)	144,682.96
Freight, Express & Cartage	55,318.87
Insurance	15,145.19
Rents	72,201.54
Supplies	30,356.27
Interest & Discount Payable	98,541.20
Miscellaneous	177,938.95
Moving Expenses	<u>28,643.71</u>
Total	\$ 1,663,421.17

SCHEDULE A13.

Name	Duties	Time devoted to such duties	Shares of stock owned	Annual Compensation 1916	Total Annual Compensation 1917	Reasons for Increase 1918
Frank H. Taylor, President		Entire	125	\$15,000.	\$16,000.	\$18,000. As agreed at time of em- ployment
Edwin T. Hinkson, Treasurer		"	115	8,000.	8,000.	8,000.
R. L. Vaill, Secretary		"	42	4,000.	4,333.33	4,750. Normal
						one
						<u>\$ 30,750.</u>

SCHEDULE A14.

Repairs to Buildings and Factory Equipment	\$ -
Twelfth St. Factory	2,002.27
Frankford "	4,053.85
Staten Island "	48,533.27
C & M Division Factory	6,647.84
Porcelain Tooth	1,080.51
Head Office - 211 South 12th Street	8,536.92
Philadelphia Retail Store	284.10
Atlanta " "	65.11
Chicago " "	246.17
New York " "	393.63
San Francisco " "	87.59
Boston " "	<u>354.76</u>
	\$ 72,286.01
Less Excess Credit to Reserve for Repairs	<u>751.23</u>
2-S-0	Total \$ 71,534.78

SCHEDULE A16.

(1) (a) Character	(2)	(3)	(4)
1. Buildings -			
2. 12th St. Factory	\$ 258,420.01	179,520.50	50 years
3. Frankford "	135,016.62	2,127.46	
4. Staten Island "	176,651.37	91,652.07	
5. Machinery & Equipment			10 years
7. 12th St. Factory	96,942.29	19,662.37	Transferred to Item 11
8. Frankford "	38,354.34	42,147.38	
9. Staten Island Factory	410,385.39	401,616.21	
10. C & M "	32,885.25	76,469.11	
11. Porcelain Tooth "	-	116,974.62	
12. Head Office and			
13. Philadelphia Store	64,315.54	103,523.06	
14. Atlanta Store	9,086.13	4,261.67	
15. Berlin "	6,784.01	2,846.83	Transferred
16. Boston "	7,467.30	1,067.90	
17. Chicago "	13,451.17	6,650.75	
18. Cincinnati "	9,074.56	2,500.25	Transferred to Item 13
19. Los Angeles Store	2,367.11	1,954.10	" " " 13
20. New Orleans "	4,213.40	2,290.02	" " " 13
21. New York "	17,275.38	3,450.89	
22. Rochester "	2,008.75	1,252.45	" " " 13
23. San Francisco "	5,572.89	6,211.14	
24. Toronto "	5,492.13	988.77	
Total	\$ 1,293,780.64	1,004,170.09	

(5)	(6)	(7)	(8)
1. \$ 437,940.51	13,039.06	10,446.33	22,485.39
2. 137,144.08	4,050.50	4,201.92	8,252.42
3. 268,503.44	8,732.44	7,261.97	12,994.41
4.			415,455.12
5.			120,691.66
6.			256,809.03
7. 77,279.92	39,627.27	5,008.08	44,535.35
8. 80,501.72	23,964.51	6,402.84	30,367.33
9. 612,001.60	222,789.49	62,561.29	285,350.78
10. 109,384.36	22,366.70	9,145.79	31,532.49
11. 116,974.62	2,618.32	13,051.65	15,670.17
12.			101,304.65
13. 167,636.60	52,332.07	13,928.46	66,260.53
14. 13,347.70	5,630.68	1,102.25	6,732.91
15. 3,935.18	3,935.18	-	3,935.18
16. 8,555.20	4,646.64	657.59	5,304.23
17. 20,101.92	7,351.45	1,761.26	9,092.71
18. 6,574.33	6,574.33	-	6,574.33
19. 403.01	403.01	-	403.01
20. 1,917.38	1,917.38	-	1,917.38
21. 20,726.27	8,209.89	1,702.67	9,912.56
22. 756.30	756.30	-	756.30
23. 11,784.03	4,411.65	892.19	5,303.84
24. 2,510.36	2,510.36	-	2,510.36
Total	2297,950.73	431,767.21	569,891.70

Average life of factory equipment is est.  
at 10 yrs. 2 mos. 1917 because of improvements  
in Machy. & new methods of Mfg.

3-5-0

SCHEDULE C.		Taxable Year	
Assets:		12/31/17 Beginning	12/31/18 End
Cash		\$ 169,925.15	307,750.42
Trade Accounts & Notes Receivable		1,367,369.62	1,362,922.95
Accounts Payable Debit Balances		-	10,644.94
Inventories: work in progress		860,167.40	860,887.53
Raw Materials		879,841.22	696,076.53
Finished Products		1,281,686.72	1,856,835.08
Pr. Metals Scrap		45,636.34	46,621.18
First Liberty Loan		1,447.33	1,447.33
Second " "		100,000.00	4,462.92
Third " "		-	106,450.00
Fourth " "		-	104,800.00
Bonds Dom. of Canada 5th Loan		235,047.60	400.00
Deferred charges to future operations		-	21,941.30
Fixed Assets:	End of Yr.		
Land	247,000.00		
Buildings	703,714.99		
Machinery		839,586.03	
Tools & Minor equip. )	1,072,267.35	1,199,371.20	
Delivery equip. )			
Office Furniture )			
Total	2,022,982.34	2,266,969.23	
Less reserve for Depreciation	175,271.96	310,900.50	
Net Value	1,847,710.38	1,976,059.05	
Patents, good will, and other tangible assets:			
Paid for in cash or other tangible property		36,000.00	65,300.00
Investments Affiliated Companies		502,718.08	201,000.00
Total		7,175,568.16	7,309,699.21

0-5-9



## SCHEDULE 0.

## Liability Insurance

Notes Payable:		
To Others (Includ. Bank Loans)		
Accounts Payable:	\$	990,000.00
Trade		
Other		
Accrued Taxes		139,248.39
Accrued Payroll		86,966.01
Miscellaneous Accruals		40,519.98
Reserve for losses on notes and accounts receivable		15,225.35
Reserves for Contingencies		7,995.16
" Shrinkage in Inventories		57,432.54
" " Repairs		100,000.00
" " "		-
" " "		-
" " "		6,000.00
Mortgage Payable		
Capital Stock Outstanding -		
Common		5,000,000.00
Surplus and Undivided Profits		<u>730,198.71</u>
Total	\$	7,173,586.14

7-5-0

Sheet 2.

STATEMENT DFor Year 1914

Surplus at begin. of year per books		\$	429,473.13
Add: Total net profit per books			<u>76,452.82</u>
	Total		505,925.95
Deduct: Dividends as follows:			
	<u>Date Payable</u>	<u>Amount</u>	
Cash	May 1, 1914	75,000.00	
"	Aug. 1, 1914	75,000.00	
"	Nov. 1, 1914	25,000.00	
"	Feb. 1, 1915	<u>25,000.00</u>	<u>200,000.00</u>
Surplus at end of year per books			305,925.95

For Year 1915

Surplus at begin. of year per books		\$	305,925.95
Add: Total net profit per books			<u>274,424.23</u>
	Total		580,350.18
Deduct: Dividends as follows:			
Cash	May 1, 1915	25,000.00	
Trans. to Reserve for Bad Debts		50,000.00	
Adjustments thru Surplus		5,866.24	
Trans. to Reserve for Contingencies		<u>100,000.00</u>	<u>180,866.24</u>
Surplus at end of year per books			399,483.94

For Year 1916

Surplus at begin. of year per books		\$	399,483.94
Add: Total net profit per books		362,585.39	
Adjustments for year		<u>10,236.27</u>	<u>372,821.66</u>
	Total		772,305.60
Deduct: Dividends as follows:			
Cash	Feb. 1, 1916	75,000.00	
"	May 1, 1916	50,000.00	
"	Aug. 1, 1916	50,000.00	
"	Nov. 1, 1916	<u>50,000.00</u>	<u>225,000.00</u>
Surplus at end of year per books			547,305.60

For Year 1917

Surplus at begin. of year per books		\$	547,305.60
Add: Total net profit per books			<u>382,693.11</u>
	Total		930,198.71
Deduct: Dividends as follows:			
Cash	Feb. 1, 1917	50,000.00	
"	May 1, 1917	50,000.00	
"	Aug. 1, 1917	50,000.00	
"	Nov. 1, 1917	<u>50,000.00</u>	<u>200,000.00</u>
			\$ 730,198.71

10-5-0

(Copy)

Annuity Return  
Form 100—UNITED STATES INTERNAL REVENUE SERVICECORPORATION INCOME AND PROFITS TAX RETURN  
FOR CALENDAR YEAR 1919

Fiscal Period began January 1, 1918, and ended December 31st, 1919

(Print plainly corporation's name and principal place of business)

The S. S. White Dental Mfg. Co.,  
231 South 12th Street,  
Philadelphia, Pennsylvania.DO NOT WRITE IN THIS SPACE  
PAYMENT  
CASE  
CHECK  
IN C.  
CERT. OF INC.  
(Contributor's Name)DELIVER OR SEND  
THIS RETURN  
TO COLLECTOR OF  
INTERNAL REVENUE  
ON OR BEFORE  
MARCH 15, 1919IF EXTENSION OF  
TIME FOR FILING RETURN  
HAS BEEN GRANTED  
THE AUTHORIZATION  
MUST BE ATTACHED TO  
THIS RETURN

## SCHEDULE I—NET INCOME.

1918	1919	1920
1. Net Income per Return Payable Year (as finally determined on income return)	\$ 656,678.43	\$ 717,720.79
2. Plus amount of corporation excise tax paid in each year	\$ 879.48	\$ 600.95
3. Totals for 1918, 1919, and 1920	\$ 661,466.21	\$ 722,568.73
4. Less dividends received in 1919		\$ 774,600.78
5. Net Total for 1919		\$ 774,600.78
6. Average Net Income per Payable Period (sum of items on line 3 for 1918 and 1919 and item 5 for 1920, divided by number of years)		\$ 719,086.47
7. Net Income per Taxable Year (Item 3, Schedule A, page 2)		\$ 656,678.43

## SCHEDULE II—INVESTED CAPITAL.

1918	1919	1920	TOTAL
1. Capital, surplus, and undivided profits less than of the preceding year or share of corporation's stock in any of the preceding or same business (from Schedule A)	\$ 650,492.58	\$ 724,379.28	\$ 742,119.77
2. Plus adjustments by way of additions (from Schedule A)	\$ 668,403.80	\$ 724,379.28	\$ 742,119.77
3. Totals	\$ 668,403.80	\$ 724,379.28	\$ 742,119.77
4. Less adjustments by way of deductions (from Schedule A)	\$ 650,492.58	\$ 724,379.28	\$ 742,119.77
5. Balance	\$ 668,403.80	\$ 724,379.28	\$ 742,119.77
6. Plus or minus change in invested capital during year (from Schedule A and B)	\$ 661.82	\$ 698.88	\$ 757.16
7. Total (on Balance)	\$ 662,564.82	\$ 725,078.16	\$ 742,876.93
8. Less deduction on amount of loanable assets (from Schedule A)			\$ 904,645.48
9. Invested Capital per Taxable Year	\$ 662,564.82	\$ 725,078.16	\$ 742,876.93
10. Average Invested Capital per Payable Period (sum of items on line 9 for 1918, 1919, and 1920 divided by number of years)			\$ 679,204.76
11. Increase or Decrease in Invested Capital per Taxable Year as Compared with Average Payable Invested Capital (Indicate decrease by "D")			\$ 245,540.87

## SCHEDULE III—EXCESS-PROFITS AND WAR-PROFITS CREDITS.

(If this return is made for a period less than a full year, Items 6 and 8 must be reduced as provided in paragraph 1, page 1 of Instructions.)

1918	1919	1920	TOTAL
1. Right per cent of invested capital for taxable year (Item 6, last column, first table)	\$ 472,909.09		\$ 472,909.09
2. Exemption (\$1,000)	\$ 3,000.00		\$ 3,000.00
3. Excess-Profits Credit (Item 1 plus Item 2)	\$ 475,909.09		\$ 475,909.09
4. Average net income for period (Item 6, Schedule I)			\$ 719,086.47
5. Plus 10% of increase or minus 10% of decrease above by Item 3, Schedule I			\$ 24,540.87
6. (a) Total on (on Excess-Profits Credit) Item 4 and 5, or (b) 10% of invested capital for taxable year (Item 8, last column, Schedule I), whichever is larger			\$ 500,449.96
7. Exemption (\$1,000)			\$ 3,000.00
8. War-Profits Credit (Item 6 plus Item 7)			\$ 503,449.96

## SCHEDULE IV—COMPUTATION OF TAXES.

WAR-PROFITS AND EXCESS-PROFITS TAX (Indicate use and basis)

(If this return is for a period less than a full year the invested capital must be reduced as provided in paragraph 1, page 1 of Instructions.)

1918	1919	1920	TOTAL
1. Net over 10% of invested capital	\$ 659,506.52	\$ 476,909.09	\$ 1,136,415.61
2. Over 10% of invested capital	\$ 659,506.52	\$ 476,909.09	\$ 1,136,415.61
3. Totals	\$ 659,506.52	\$ 476,909.09	\$ 1,136,415.61
4. Net income for taxable year (Item 7, Schedule I)	\$ 656,678.43	\$ 717,720.79	\$ 1,374,399.22
5. Less amount of war-profits credit (Item 8, Schedule III)	\$ 895,465.36		\$ 895,465.36
6. Balance	\$ 44,600.16		\$ 44,600.16
7. Total War-Profits and Excess-Profits Tax as Computed Under Schedule III, Item 8, or 10% of net income (see Instructions, page 1, paragraph 6 and 7)			\$ 44,600.16
8. Total War-Profits and Excess-Profits Tax, or Computed Under Schedule III, Item 8, or 10% of net income (see Instructions, page 1, paragraph 6 and 7)			\$ 44,600.16
9. Income Tax			\$ 70,515.86
10. Net income for taxable year (Item 7, Schedule I)	\$ 659,506.52		\$ 659,506.52
11. Less amount of excess-Profits credit (Item 8, Schedule III)	\$ 49,506.52		\$ 49,506.52
12. War-profits and excess-Profits tax (Item 8 or 10)	\$ 2,000.00		\$ 2,000.00
13. Total War-Profits and Excess-Profits Tax (Item 11 plus Item 12)	\$ 51,506.52		\$ 51,506.52
14. Total War-Profits, Excess-Profits, and Income Taxes (sum of items 8 and 13)			\$ 96,106.68
15. Total tax (Item 14 plus Item 9)			\$ 126,622.54
16. Less tax not already paid for the fiscal year ended in 1919			\$ 0.00
17. Balance of Tax			\$ 126,622.54
18. Tax paid: On refund of tentative return (Item 17), 0			\$ 0.00
19. by remittance accompanying this return, 0			\$ 0.00
20. Total			\$ 126,622.54

## Page 6—Invested Capital Schedules (Concluded) and Questions.

## SCHEDULE L—INADMISSIBLE ASSETS.

Has the corporation any inadmissible assets (i. e., stocks, bonds, and other obligations,

except obligations of the United States, the income from which is not taxable)?

If so, attach hereto a statement showing for 1911, 1912, and the taxable year,

separately, the facts called for in Items (a) to (j) of this schedule.

(a) The income from such assets consists in part of gains or profits from the sale or other disposition thereof, or if all or part of the income derived from such assets is not other than the income from the sale of the assets, then the income from the sale of the assets is included in the net income from the business on the definition of net income under

Section 204 (a) (2) of the Revenue Act of 1913, then a corresponding part of the capital

derived in such assets is deemed an inadmissible asset. In such case, set forth in detail

(b) The various kinds of income derived from such assets and the computation of the

part of the capital invested therein which is deemed an inadmissible asset.

For the purpose of this schedule, inadmissible assets shall be valued at cost of acquisition

except that if the taxpayer has in previous years been allowed a deduction on account

of the loss in the market value of securities, such assets shall be valued at not less than the

deduction allowed. Admissible assets shall be valued as provided in Sections 225, 226, and 227

of the Revenue Act of 1913 and Articles 252, 400, 451, 452, and 453 of Regulations 45.

Average amount of assets of each kind held during any year may only be determined

by dividing by 3 the sum of the amount of each asset held at the beginning of the year

## KIND OF BUSINESS.

1. Explain below the nature of the corporation's business in sufficient detail to show

in which of the following general classes of activities it falls:

(1) Agriculture and related industries, including fishing; (2) mining, quarrying, and

related industries; (3) manufacturing; (4) transportation; (5) trading; (6) transportation;

(7) storage; (8) other service; (9) banking and insurance.

2. If the business falls in any of the classes from 1 to 9, state the special product or

products involved; if in class 1, state whether wholesale or retail; or in class 4, state

whether mill, quarry, or other; whether general or local, and the special commodities (if

any) transported; if in class 7, state the special commodities stored (if any); in the

special of storage; if in class 8, state in detail the kind of service rendered; if in class 9, state

the branch of banking or insurance engaged in.

3. Is all one state whether the corporation acts as principal (using its own capital)

or as agent or broker (on behalf of) in each of the following:

(a) Main business: Manufacturing and sale of dental supplies

(b) Collateral business, if any: \_\_\_\_\_

(c) Collateral business, if any: \_\_\_\_\_

(d) Collateral business, if any: \_\_\_\_\_

(e) Collateral business, if any: \_\_\_\_\_

(f) Collateral business, if any: \_\_\_\_\_

(g) Collateral business, if any: \_\_\_\_\_

(h) Collateral business, if any: \_\_\_\_\_

(i) Collateral business, if any: \_\_\_\_\_

(j) Collateral business, if any: \_\_\_\_\_

## OTHER CONCERNS IN SAME BUSINESS.

4. State on the following lines the names and addresses of five representative con-

cerns in your locality or within of the country engaged in the same kind of business:

L. D. Smith Co., \_\_\_\_\_, Milford, Delaware.

A. J. Smith &amp; Sons, \_\_\_\_\_, Philadelphia, Penna.

Cleveland Dental Mfg. Co., \_\_\_\_\_, Cleveland, Ohio.

Dental Supply Co., \_\_\_\_\_, York, Penna.

Hittor Dental Mfg. Co., \_\_\_\_\_, Rochester, New York.

## INCORPORATION.

5. Date of incorporation: July 1, 1911

6. Under the laws of what State or country? Pennsylvania

## PREDECESSOR BUSINESSES.

7. If the corporation was not in existence during the whole of any one of the calendar

years 1911-1913, is its business substantially a continuation of a business carried on during

any one or more of those years? If so, give name under which, and

address at which, its business was then carried on: \_\_\_\_\_

## ACQUISITION OF MIXED AGGREGATES OF ASSETS.

8. Did the corporation ever take over a going business or otherwise acquire a mixed

aggregate of tangible property, patents and copyrights, and good will and other similar

intangibles property, and pay for such property in whole or in part with stock or other

securities? If so, submit a statement showing—

(a) The nature of the business taken over (or from which the property was

acquired);

(b) The names of the assets and liabilities so acquired;

(c) The total per value of the stock issued therefor;

(d) The value at which each class of assets was carried on the books of the concern

from which acquired (if obtainable submit a balance sheet of the

predecessor corporation as of the date of acquisition);

(e) The value at which each item was carried on the books of the corporation

acquiring this concern.

9. If patents, copyrights, secret processes or formulas, good will, trade-marks, trade

brands, trade-names, or other intangible property was acquired, state also the date at which

their value was determined and how they were paid for.

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself

depose and say that this return, including the accompanying schedules and statements, has been examined by him and is to the best of his

knowledge and belief a true and complete return made in good faith pursuant to the Revenue Act of 1913 and the Regulations issued thereunder.

Sworn to and sub-

scribed before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

Not a public officer.

(Official capacity)

and the amount held at the end of the year. In such case the amount of inadmissible assets

may then be determined from (1) the balance sheet at the beginning of the year

adjusted with respect to the items in Schedules F and G, and (2) the balance sheet at

the end of the year correspondingly adjusted. But if at any time during the year a cap-

ital change has taken place in the amount of such assets, the average amount must be

determined as provided in Article 453 of Regulations 45. In such case, there is de-

termined as follows—

(1) The computation of such average.

(2) Amount of inadmissible assets held at end of year.

(3) Average amount of inadmissible assets held during year.

(4) Amount of inadmissible assets held at beginning of the year.

(5) Amount of inadmissible assets held at end of year.

(6) Average amount of inadmissible assets held during year.

(7) Percentages which (4) is of (5).

(8) Percentages which (6) is of (5).

(9) The percentages (7) for each year should be applied to the figure for that year appearing

on line 7, Schedule L, in order to obtain the figures on account of inadmissible assets

which should be entered on line 8, Schedule L.

## QUESTIONS.

ATTACHMENTS WITH OTHER CORPORATIONS (TO BE ANSWERED BY EVERY CORPORATION).

11. Do you own directly or control through closely affiliated interests or by a trustee

or nominee over 10 per cent of the outstanding capital stock of another corporation or

other corporation? \_\_\_\_\_

12. Is over 10 per cent of your capital stock held by another corporation or by

one or more corporations that are affiliated? \_\_\_\_\_

13. Is over 10 per cent of your capital stock as well as over 10 per cent of the capital

stock of another corporation or of other corporations owned or controlled by the same

individual or partnership or by the same individuals or partnerships? \_\_\_\_\_

14. Is this return a consolidated return within the meaning of Article 451, in 453, in

Article 454, or in Article 455 of Regulations 45? \_\_\_\_\_

15. Affiliated corporations as indicated in 11, 12, or 13 above must comply with the

following requirements—

(a) If the answer to question 11 is "yes," submit a statement showing for each of the

corporations over 10 per cent of whose capital stock is owned or controlled by you, either directly

or through closely affiliated interests or by a trustee or nominee, the following:

(1) The name and address;

(2) The total per value of the outstanding capital stock at the beginning of the

taxable year, and the date and amount of each change therein;

(3) The total per value of each outstanding capital stock owned or controlled by

you at the beginning of the taxable year, or at the date of acquisition if

acquired during the taxable year, and the date and amount of each change

therein;

(4) If the answer to question 11 is "yes," state—

(a) The name and address of each corporation or corporation;

(b) The per value and percentage of your stock held by each;

16. If the answer to question 11 is "yes," submit a statement showing—

(1) The name and address of each corporation;

(2) The name and address of each individual or partnership;

(3) The name and address of each partnership or partnership;

(4) The total per value of the outstanding capital stock of each corporation at

the beginning of the taxable year, and the date and amount of each change

therein;

(5) The total per value of the outstanding capital stock of each corporation owned

or controlled by each of the individuals or partnerships at the

beginning of the taxable year, and the date and amount of each change

therein;

(6) If the answer to question 11 is "yes," the information furnished under (4) and (5)

should include the percentages indicated in the consolidation.

17. If one corporation owns 10 per cent or more of the stock of another, or if 10 per cent

or more of the stock of two or more corporations is owned by the same individual or

partnership or partnership, a consolidated return must be filed, and

that the limitations as to consolidation under Article 453 must be observed. If the con-

solidation is less than 10 per cent, but exceeds 10 per cent, the person, corporation, or

partnership of any group of affiliated corporations must furnish the information called

above and in addition must file a statement fully disclosing the details of affiliation for

the taxable year and all other taxable years which will be helpful in determining

whether or not a consolidated return should be filed.

## VALUATION OF CAPITAL STOCK.

2. What was the fair value of the total capital stock of the corporation as determined

in the last statement of the capital stock tax (if any)? \$6,253,333.33 Date of the

statement: June 30, 1913.

## LIST OF ATTACHED SCHEDULES.

Make below a list of all schedules attached to this return, giving for each a brief title

and the schedule number.

Schedules A-2 Cost of Goods Sold

A-3 Other Income

A-4 Interest on Liberty Bonds

A-5 Interest from other sources

A-10 Ordinary Expenses

A-12 Compensation of Officers

A-14 Repairs

A-15 Depreciation &amp; Obsolescence

A-25-34 Losses

E Balance Sheet, 1911-1913

F Analysis of Surplus Account

President

Treasurer

## Page 2—Income Schedules

**SCHEDULE A—TAXABLE NET INCOME.**

from—national corporations, banks, insurance companies, and other corporations—reported to submit statements of income and expenses to any national, State, municipal, or other political entity any amount instead of Schedule A, a statement of income and expenses in the form in which submitted to such office. In such case the taxable net income will be determined by means of Schedule B with the net profit shown by the income and expense statement submitted, and should be entered on Item 7, Schedule 1, page 1.

INCOME		DEDUCTIONS		TAXES		TOTAL	
1	2	3	4	5	6	7	8
<b>INCOME</b>							
<b>1. Gross income, less return and allowance</b>							
<b>2. Net of gross add, subtractive of expenses, repairs, and other items called for separately</b>							
<b>3. Total income from operations after taxes and interest, less allowances (from Schedule A3)</b>							
<b>4. Interest on obligations of the United States or its possessions not exempt (from Schedule A4)</b>							
<b>5. Interest from other sources (from Schedule A5)</b>							
<b>6. Dividends</b>							
<b>7. Net of net income earned since December 31, 1917, by personal service corporations (whether retained or not)</b>							
<b>8. Dividends on stock of foreign corporations (from Schedule A9)</b>							
<b>9. Total income from all other sources except dividends (not including any amount in respect of sale of capital assets or other transactions in connection with them (from Schedule A10))</b>							
<b>10. Total of Items 1 to 9</b>							
<b>DEDUCTIONS</b>							
<b>11. Ordinary and necessary expenses (except amounts reported in Item 5 above or called for separately below, and not limited by net or return of capital assets or other transactions) paid during taxable year—see Item 10 (from Schedule A11)</b>							
<b>12. Deductions of officers (including salaries, compensation, and other compensation in whatever form paid) (from Schedule A12)</b>							
<b>13. Repairs (including labor, supplies, overhead, and other items properly chargeable to repairs) (from Schedule A13)</b>							
<b>14. Interest (except on United States internal or foreign or many obligations or securities, other than obligations of the United States issued after September 30, 1917, the interest on which is wholly exempt from income tax) (from Schedule A14)</b>							
<b>15. Taxes (except Federal income, war profits, and excess-profits taxes, taxes which are a credit under Section 101, and tax on certain foreign bond) (benefit of a loss resulting to increase the value of the property owned) (from Schedule A15)</b>							
<b>16. Taxes assessed but not paid and charged off with a liability year—see Item 10 (from Schedule A16)</b>							
<b>17. Educational, war and war (including equipment) (from Schedule A17)</b>							
<b>18. Amortization of war facilities (from Schedule A18)</b>							
<b>19. Depreciation (if depreciation is claimed, Form A (personal) of Minor and Minor's facilities should be obtained from the Collector, filed in, and filed)</b>							
<b>20. Total of Items 11 to 19</b>							
<b>21. Excesses between Items 10 and 20</b>							
<b>22. Total of net of capital assets and miscellaneous investments (from Schedule A20)</b>							
<b>23. Losses sustained during the taxable year from fire, storm, or other casualty or from theft, not compensated for by insurance (from Schedule A21) (if paid in full not more than later of Item 22) (from Schedule A22)</b>							
<b>24. Total of Items 20 to 23</b>							
<b>25. Net income or taxable loss (total of net of difference between Item 10 and Item 24, net of items) (to be entered on Item 7, Schedule I, page 1)</b>							

**SCHEDULE B—RECONCILIATION OF NET PROFIT PER BOOKS WITH TAXABLE NET INCOME.**

The profit for your year before any adjustments are made thereon		507	672	16
1. Total taxable deductions:		18	010	41
(a) Depreciation, amortization, and contribution		25	556	52
(b) Interest on obligations of the United States and its possessions, wholly exempt				
(c) Interest on obligations of States, Territories, and political subdivisions thereof				
(d) Interest on Federal Income Bonds issued under Federal Income Bond Act				
(e) Dividends on stock of domestic corporations				
(f) Dividends on stock of foreign corporations declared out of profits earned prior to January 1, 1913				
(g) Other taxes of nonexempt nature (to be detailed)				
(h) Charitable contributions for cash, property, or services (other than stock of the United States owned after September 1, 1917) for exempt use when property is sold (to be detailed)				
(i) Deductions for bad debts, contingencies, etc. (to be detailed)				
(j) Other allowable deductions (to be detailed)				
2. Net income (to be adjusted for loss or gain on the disposal of property)		522	662	75
3. Total taxable income (to be adjusted for loss or gain on the disposal of property)		522	662	75
4. Total		541	680	39

**SCHEDULE C—BALANCE SHEETS.**

Attach herein balance sheets as of the beginning and end of the taxable year (preferably in parallel columns), showing as nearly as practicable the details called for below:

[illegible]

A corporation having a net income of \$1,000 or more, which was in existence during at least one full power year, should also attach to this return similar balance sheets (preferably in printed format) as of the beginning of its first full power year and as of December 31, 1913.

**SCHEDULE D—ANALYSIS OF SURPLUS ACCOUNT.**

**SCHEDULE D—ANALYSIS OF SURPLUS ACCOUNT.**  
 Attach hereto an analysis of the corporation's surplus account, showing the details of all adjustments of surplus for the taxable year, as nearly as practicable in the following form.

2. *Surplus at beginning of year per books*  
Add: 1. *Total net profit per books and per Schedule B (Item V).*  
3. *Other credits to surplus (to be detailed).*

4. Total of Items 1, 2, and 3. 7. Surplus at end of year per bush.

**Page 8—Invested Capital Schedule—Continued**  
**SCHEDULE G—ADJUSTMENTS BY WAY OF DEDUCTIONS (Continued).**

DEBIT	CREDIT	DEBIT	CREDIT	TAXABLE YEAR
1. Valuation of patents, copyrights, secret processes, or formulas, good will, and similar, credit balance, debit, or other intangible property.				
2. Valuation of tangible property paid in for stock.				
3. Stock returned to the corporation as a gift, etc.				
4. Valuation of assets acquired in reorganizations.				
5. Appreciation.				
6. Depreciation and depletion.				
7.				
8.				
9. TOTAL DEDUCTIONS.				

**SCHEDULE H—CHANGES IN INVESTED CAPITAL DURING TAXABLE YEAR.**

1. Changes in invested capital during the taxable year ordinarily arise in one or more of the following ways:	2. If stock is issued for cash, the actual cash received (but not the amount of discounts) should be entered in this column. Assets (other than cash) paid in for stock must be valued in accordance with Section 261 (a) (2) of the Revenue Act of 1921.
(a) Additions by reason of the sale of capital stock or the issue of capital stock for tangible or other assets.	3. The amount of Federal income and excess profits taxes payable should be entered as of the date when due and payable whether reserves have been set up on the books or not. (See Article VI.)
(b) Liquidation of part of the capital by retirement of stock or purchase of treasury stock out of current earnings.	4. If capital stock of the corporation is reacquired but not paid for out of current profits, the cost of such stock should be deducted from invested capital.
(c) Payment of such dividends out of earnings of prior years.	5. The date called for in subsection 1 to 3 should be given for all transactions, except that columns 3 and 4 are applicable only to the issue of recapitalization of the corporation's stock.
(d) Payment of amounts by stockholders, or creation of paid-in surplus by contribution of stockholders.	6. In Column 5 enter the number of days remaining in the taxable year (including the date of change).
(e) Property (by value and not for distribution, or otherwise) whether such item represents an addition or a deduction.	7. The net change, if not in accordance with the increases or decreases indicated in the balance sheet, should be fully reconciled therewith.
3. Report dividends paid out of profits of prior years but not dividends paid out of profits of the taxable year. Any distribution made during the first 60 days of the taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years; but any distribution made during the remainder of the taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years; but any distribution made during the remainder of the taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years; but any distribution made during the remainder of the taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years.	

1. DIVIDENDS OR ADDITIONS AND DEDUCTIONS.	2. DATE.	3. NUMBER OF SHARES ISSUED OR RECAPITALIZED.	4. AMOUNT OF CASH OR CASH EQUIVALENT ACTUALLY RECEIVED OR PAID OUT.	5. NUMBER OF DAYS REMAINING IN YEAR.	6. ADJUSTED AMOUNT. (Column 3 x Column 4) ÷ Column 5.
1. Dividends	2/1/10	1	50.000.00	334	45.778.42
2. Income tax	6/15/10		25.556.82	200	38.063.34
3.			75.556.82		27.757.16
4.					
5.					
6.					
7.					
8.					
9.					

**SCHEDULE J—CHANGES IN INVESTED CAPITAL DURING PREWAR YEARS.**

(Compute the net addition or reduction separately for each year. See instructions on Schedule E.)

1. DIVIDENDS OR ADDITIONS AND DEDUCTIONS.	2. DATE.	3. NUMBER OF SHARES ISSUED OR RECAPITALIZED.	4. AMOUNT OF CASH OR CASH EQUIVALENT ACTUALLY RECEIVED OR PAID OUT.	5. NUMBER OF DAYS REMAINING IN YEAR.	6. ADJUSTED AMOUNT. (Column 3 x Column 4) ÷ Column 5.
1. Dividends	2/1/11	1	75.000.00	31	9.369.34
2. Income tax	6/30/11		4.575.48	184	2.508.54
3.					4.041.14
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					

**SCHEDULE K—CHANGES IN INVESTED CAPITAL FROM END OF PREWAR PERIOD TO BEGINNING OF TAXABLE YEAR, NOT SHOWN IN SCHEDULE J.**  
 (See instructions under Schedule K, as far as applicable.)

1. DIVIDENDS OR ADDITIONS AND DEDUCTIONS.	2. DATE.	3. NUMBER OF SHARES ISSUED OR RECAPITALIZED.	4. AMOUNT OF CASH OR CASH EQUIVALENT ACTUALLY RECEIVED OR PAID OUT.	5. NUMBER OF DAYS REMAINING IN YEAR.	6. ADJUSTED AMOUNT. (Column 3 x Column 4) ÷ Column 5.
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					

**Page 3—Income Schedules—Continued**  
**SCHEDULES SUPPORTING SCHEDULE A**

The schedules called for below should be prepared and firmly stapled to this return. Designate each schedule with the number of the item in Schedule A which it explains. Make attachments on paper of uniform size so far as practicable. In the space provided for the purpose on page 6 list all schedules attached to this return, giving the title and schedule number of each.

**SCHEDULE A: COST OF GOODS SOLD, EXCLUSIVE OF EXPENSES, REPAIRS, AND OTHER ITEMS CALLED FOR SEPARATELY.**

In support of Item 3, Schedule A, corporations engaged in manufacturing or trading operations should submit an analysis, in reasonable detail, of the cost of goods sold. This statement should ordinarily include the following items but should not include any expense items called for separately in Schedule A.

1. Inventories at beginning of period (to be reconciled with balance sheet).
2. Purchases during period.
3. Labor and wages voluntarily changed to manufacturing cost on the corporation's books, showing the principal items separately.
4. Other expenses voluntarily changed to manufacturing cost on the corporation's books. (State separately large or unusual items.)

**Total.**

- Notes:**
1. Inventories at close of period (to be reconciled with balance sheet).
  2. Cost of goods sold (Item 6, line 6).

**Notes—Inventories should be valued at (a) cost or (b) cost or market, whichever is lower, provided, however, that whichever basis was adopted by a taxpayer for the taxable year 1917 must be continued unless upon application to the Commissioner permission is granted to change. If basis (b) is used it must be applied to each item in its inventory and not to a part only. Inventories should be recorded in a ledger manual, properly dated and maintained, and should be preserved as a part of the accounting books of the taxpayer. (See Articles 1361 to 1366 of Regulations No. 43.)**

Then state which of the three mentioned bases for valuing inventories is used in this return.

**SCHEDULE A: GROSS INCOME FROM OPERATIONS OTHER THAN TRADING OR MANUFACTURING, LESS ALLOWANCES.**

Submit a schedule showing the nature and amount of the principal items included in Item 3, Schedule A.

Life insurance companies should state in Item 3, Schedule A, the total premiums received from policyholders on each policy closed or law been paid back or credited to, or treated as an investment of premiums of, each policyholder within the taxable year. (See Article 146 and 147 of Regulations No. 43.)

Mutual marine insurance companies should report in Item 3, Schedule A, the gross premiums collected and received by them from amounts paid for reinsurance.

**SCHEDULE A: INTEREST ON OBLIGATIONS OF UNITED STATES OR ITS POSSESSIONS NOT EXEMPT.**

Enter in table below the maximum amount of Liberty Bonds and other obligations of the United States issued since September 24, 1917 (per value) held at any one time, from the first issue was derived during the taxable year.

1. CLASS OF OBLIGATION.	2. MATURITY DATE OR DATE OF INTEREST PAYMENT.	3. MAXIMUM AMOUNT HELD AT ANY ONE TIME DURING THE TAXABLE YEAR.
1. First Liberty Loan issued since September 24, 1917.		\$100,000.00
2. Second Liberty Loan issued since September 24, 1917.		\$100,000.00
3. Third Liberty Loan issued since September 24, 1917.		\$100,000.00
4. War Obligations issued since September 24, 1917.		\$100,000.00

**Notes—This exemption as to income in and 1b (maximum \$100,000) is limited to one and one-half times the amount of bonds of the Fourth Liberty Loan originally subscribed by and still held. Bonds that matured here 1b.**

In order to ascertain the amount to be entered on Item 4, Schedule A, refer first to the table above.

If the amounts entered in column 3 of the table for any class of obligations exceeds the maximum exemption for the same class of obligations plus any part of the \$10,000 exemption applied to that class (see column 1b, above), enter a schedule showing in reasonable detail the following information:

- (a) Class of obligation.
- (b) First and last dates of each period during which the corporation's holdings of that class of obligations remained unchanged.
- (c) Amount of obligations of that class held by the corporation during each such period.
- (d) Amount by which each amount entered in column (c) exceeds the maximum exemption for that class of obligations.
- (e) Date of interest.
- (f) Interest received from each amount of principal stated in column (d).

For the purpose of showing changes in holdings and applying the exemption, column 1b and 1c must be taken jointly, but for the purpose of computing the taxable interest they must be entered separately.

None in Item 4, Schedule A, the total of column (f) for all classes of obligations. Submit also a statement showing the amount of interest derived from bonds and other obligations of the United States and its possessions, exclusive of those described in the table above.

**SCHEDULE A: INTEREST FROM OTHER SOURCES.**

Submit a schedule showing the nature, source, and amount of the principal items included herein, the minor items being grouped in one figure. The total of the schedule should be entered on Item 5, Schedule A.

For interest on foreign bonds submit a schedule showing (a) name of country, (b) kind of obligation (whether national, state, municipal, or corporate obligation); (c) amount of principal; and (d) amount of interest.

**SCHEDULE A: DIVIDENDS ON STOCK OF FOREIGN CORPORATIONS.**

Submit a schedule showing (a) name of corporation; (b) country in which organized; (c) total per value of stock held; and (d) amount of dividends.

**SCHEDULE A: GROSS INCOME FROM ALL OTHER SOURCES EXCEPT DIVIDENDS (not including any amount in respect of capital assets or miscellaneous investments).**

Submit a schedule showing the nature, source, and amount of the principal items included herein, the minor items being grouped in one figure. The total of the schedule should be entered on Item 10, Schedule A.

**SCHEDULE A: ORDINARY AND NECESSARY EXPENSES (except amounts called for separately in Schedules A and not including cost or value of capital assets or miscellaneous investments held during taxable year).**

Submit a statement showing character and amount of the principal items included in Item 11, Schedule A.

Insurance companies should state separately in Schedule A12 (a) the net addition required by law to be made within the taxable year to reserve funds (including in the case of assessment insurance companies the actual deposit of sums with State or Territorial officers pursuant to law as additions to guarantee or reserve funds; and (b) the total of sums over the dividends paid within the year on policy and casualty contracts.

Corporations issuing policies covering life, health, and accident (insurance combined in one policy) issued on the weekly premium payment plan continuing for life and not subject to cancellation should report in Schedule A12 each part of the net addition (not required by law) made within the taxable year to reserve funds as is required for the protection of the holders of such policies.

Mutual marine insurance companies should report in Schedule A12 amounts paid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the termination and the payment thereof.

Mutual insurance companies (other than mutual life and mutual marine insurance companies) that require their members to make premium deposits to provide for loans and expenses should report in Schedule A12 the amount of premium deposits returned to their policyholders and the amount of premium deposits retained for the payment of loans, expenses, and miscellaneous reserves (unless deferred payments in Schedule A).

**SCHEDULE A13: COMPENSATION OF OFFICERS.**

Submit a schedule showing for each officer (1) name, (2) duties, (3) time devoted to such duties, (4) share of stock owned, (5) total annual compensation for the years 1918, 1917, and 1916, and (6) reasons for increase.

**SCHEDULE A14: REPAIRS (including building, supplies, overhead, and other items properly chargeable to repairs).**

Submit a schedule showing the nature and amount of the principal items included in Item 14, Schedule A.

Incidental repairs, which do not add to the value or appreciably prolong the life of property, are deductible as expenses. Expenditures for new buildings or for permanent improvements or betterments which increase the value of the property are chargeable to capital account. Expenditures for repairing or replacing property are not deductible under this or any other item of return. Such expenditures are chargeable to capital account or to depreciation account, depending on the treatment of depreciation on the books of the taxpayer.

**SCHEDULE A15: DEPRECIATION, WEAR AND TEAR (including obsolescence).**

Submit a columnar schedule containing, in the most practicable form, essentially the following information:

1. A classification of depreciable assets subdivided on the basis of (a) character, (b) term of useful life.
2. The fair market value of each asset March 1, 1913, if acquired before that date.
3. The cost of each asset if acquired after February 28, 1913.
4. The estimated life or term of reasonable usefulness of each asset from date acquired or from March 1, 1913, as the case requires. Give reasons for your conclusion.

**5. For each class of assets state—**

- (a) The total amount of depreciation from March 1, 1913, to the beginning of the taxable year.
- (b) The total amount of depreciation (depreciation, wear and tear, including obsolescence) claimed for the taxable year.

6. A reconciliation of all figures shown in this schedule with corresponding figures reflected in the balance sheet.

**SCHEDULE A16: AMORTIZATION OF WAR FACILITIES.**

If amortization of war facilities is claimed the taxpayer is required to submit with this return the information and schedule called for in Article 181 to 187 of Regulations 43.

**SCHEDULES A17 AND A18: PROFIT OR LOSS ON SALES OF CAPITAL ASSETS AND MISCELLANEOUS INVESTMENTS, AND INCOME ACCRUED DURING THE TAXABLE YEAR FROM FIRE, STORM, OR OTHER CASUALTY, OR FROM THEFT, NOT COMPENSATED FOR BY INSURANCE OR OTHERWISE.**

Submit a columnar schedule setting forth for each sale of capital assets or of miscellaneous investments and for each loss during the taxable year the information called for below:

1. Description of property sold or of property in respect of which a loss is claimed.
2. Date acquired.
3. Fair market price or value on March 1, 1913, if acquired before that date, or cost if acquired after February 28, 1913.
4. Cost of improvements, if any, since February 28, 1913, or since date of acquisition, if acquired after February 28, 1913.
5. Total of Items 3 and 4.

**Loss—**

6. Depreciation or depletion of property subject thereto—
- (a) For books.
- (b) Accrued but not on books.

7. Salvage value, if any, of property on which a loss is claimed.

8. Amount of insurance or other recovery on property, if any.

9. Proceeds of sale or cash value of property received in exchange (for transactions falling in Item 18, Schedule A) (see Note).

10. Total of Items 6 to 9, inclusive.

11. Profit or loss.

12. Cause of loss (for losses falling in Item 18, Schedule A).

**Notes—**Submit evidence substantiating the basis used by you in arriving at the cash value of property received in exchange for other property.

**COMPENSATION AT RATE OF \$1,000 OR MORE PER ANNUM.**

Submit a schedule showing for each employee (if a stockholder of the corporation), whose compensation is at the rate of \$1,000 or more per annum, facts similar to those called for in Schedule A12.

**WORKING PAPERS.**

Every corporation should preserve, available for inspection by a revenue officer, working papers showing—

1. The balance in each account on the corporation's books that was used in preparing Schedule A.
2. The amount deducted from each such balance on account of each class of non-taxable income, uncollectible deductions, and other adjustments indicated in Schedule B, with a reference to the number of the item in Schedule B in which each amount as deducted was included.
3. The remainder of each such balance, analyzed to show the amount included in each item of Schedule A, with a reference to the number of the item in Schedule A in which each such amount was included.







Balance Sheet  
December 31, 1917

Assets		Liabilities	
Cash	\$ 189,923.18	Capital Stock	\$ 5,000,000.00
Land	247,003.00	Notes Payable	990,000.00
Buildings	703,711.99	Accounts Payable	264,398.07
Machinery & Equipment	1,072,237.35	Mortgage	6,000.00
Patents	35,000.00	Reserves for dep.	232,959.24
Good Will	109,120.00	Undivided Profits	<u>984,620.79</u>
Investments	221,000.00		\$ 7,477,978.10
Liberty Bonds	101,447.33		
Prepaid Items	236,067.50	Invested Capital	5,984,620.79
Notes Receivable	236,096.65	Surplus	<u>984,620.79</u>
Accounts Receivable	1,260,010.25		
Inventory	<u>3,067,330.63</u>		
	\$ 7,477,978.10		

Balance Sheet  
December 31, 1918

Assets		Liabilities	
Cash	\$ 307,750.42	Capital Stock	\$ 5,000,000.00
Land	251,990.59	Notes Payable	760,000.00
Buildings	834,897.34	Accounts Payable	225,302.62
Machinery & Equipment	1,237,671.20	Reserves for dep.	371,021.87
Patents	45,000.00	Undivided Profits	<u>1,386,293.95</u>
Good Will	109,120.00		\$ 7,744,618.44
Investments	201,000.00		
Liberty Bonds	216,560.25	Invested Capital	\$ 6,388,293.95
Canadian Bonds	400.00	Surplus	<u>1,386,293.95</u>
Prepaid Items	21,941.30		
Precious Metals	46,521.18		
Notes Receivable	205,385.79		
Accounts Receivable	1,152,881.13		
Inventory	<u>3,113,738.14</u>		
	\$ 7,744,618.44		

Analysis of Surplus Account.

Surplus December 31, 1917		\$ 984,620.79
Net Income		639,886.52
Exempt Interest		<u>1,353.87</u>
		\$1,625,861.18
Less Dividends	\$ 200,000.00	
" Income Tax	25,556.82	
" Donations	<u>12,010.41</u>	
		<u>237,567.23</u>
	Surplus December 31, 1918	\$1,388,293.95

1-5-a

## Schedule A-2

Inventories at beginning of period		3,067,330.68
Purchases during period		3,794,710.60
Supervision	143,164.11	
Clerical	103,317.83	
Miscellaneous	203,637.98	
Direct Labor	<u>798,106.23</u>	1,246,226.13
Heat, Light, Power	57,181.69	
Factory Supplies	83,772.63	
Freight, express & cartage	22,384.04	
Miscellaneous expenses	<u>134,622.93</u>	<u>227,661.29</u>
Total		8,406,127.70
Debit inventories at close of period		<u>3,113,799.14</u>
Cost of goods sold		5,292,328.56

.....

## Schedule A-3

Sales of platinum	\$ 133,820.84
Factory Scrap Sales	7,787.74
Miscellaneous Income	<u>12,686.16</u>
	\$ 154,294.73

.....

## Schedule A-5

## Interest from other sources.

Notes receivable and bank deposits	\$ 11,416.06
------------------------------------	--------------

.....

## Schedule A-12

## Ordinary and Necessary Expenses.

Salaries	\$ 705,171.10
Traveler's expenses	111,858.52
Advertising expenses	223,562.86
Experimental expenses	144,682.96
Freight, express & cartage	55,318.87
Insurance	15,148.19
Rents	72,201.54
Supplies	30,356.27
Miscellaneous	71,757.23
Moving expenses	<u>28,643.71</u>
	\$ 1,458,698.25

.....

2-5-a

## Schedule A-4 Part 1.

1st Liberty Loan converted into 2nd Loan & 2nd Liberty Loan unconverted  
 1st & 2nd Liberty Loan converted into 3rd Loan and 3rd Liberty Loan  
 4th Liberty Loan

4,550.00  
 106,450.00  
 106,200.00

A	B	C	D	E	F
	Period during which corporation's holdings of obligations designated in column (a) unchanged. First date of period Last date of period	Am't. of class, column (a) held during period shown by column (b)	Am't. by which each am't. enter in col. c. exceeds the exempt. for that class of obligation	Rate of interest	Int. deriv. from each am't. of principal stated in col. (d)
1st. Conv. 2nd	1/1/18	100.00	100.00	4%	4.00
1st. " 3rd	5/9/18	1,000.00	1,000.00	4%	27.48
2nd 4's	1/1/18	107,350.00	57,350.00	4	810.76
2nd 4's	5/9/18	4,450.00	4,450.00	4	115.09
2nd. Conv. 3rd	12/31/18	102,900.00	52,900.00	4%	1,453.66
3rd 4's	5/9/18	2,550.00	2,550.00	4%	70.07
4th 4's	10/24/18	104,200.00	74,200.00	4%	587.50

## Schedule A-4 Part. 11.

Interest on first 3<sup>d</sup> Liberty Loan

\$ 64.87

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Schedule A-13

Compensation of Officers.

Name	Duties Devoted	Time	Shares of Stock owned	Annual Compensation		
				1916	1917	1918
Frank H. Taylor, Pres.	Entire		125	16,000.	16,000.	16,000. #
Edwin T. Hinkson, Treas.	"		115	8,000.	8,000.	8,000.
R. L. Valli,	"		42	4,000.	4,333.33	4,750. "

# as agreed at time of employment.  
" a normal one.

Schedule A-14

Repairs.

Repairs to buildings and factory equipment					
12th Street Factory			\$	2,002.27	
Frankford "				4,053.86	
Staten Island "				48,583.27	
C&M Division "				8,647.84	
Porcelain Tooth Factory				1,080.51	
Head Office 211 S. 12th St.				8,536.92	
Philadelphia Retail Store				284.10	
Atlanta "				65.11	
Chicago "				246.17	
New York "				393.63	
San Francisco "				87.59	
Boston "				354.72	72,266.01
Less excess credit to reserve for repairs					751.82
Total					71,554.79

Schedule A-16

Depreciation.

Kind of property	Cost	Duration	Taken this yr.	Previously taken.
Buildings	634,597.34	50 yrs.	16,791.76	59,530.92
Machinery, etc.	1,237,671.20	10 "	123,767.12	173,428.32
	2,072,266.54		140,558.88	
Obsolescence			106,181.72	
			246,740.60	232,959.24

Explanation of obsolescence as taken:

Machinery as capitalized in 1916	\$	22,696.00
" " " " 1917	\$	34,343.67
Advertising, catalogue book	\$	57,039.67
Charts, posters & expenses capitalized in 1916 & 1917 for the tooth business		49,142.05
		106,181.72

The utter failure of the project for the tooth business resulted in 1918 of a total loss to the company of the entire capitalization of the tooth business entailing a total loss to the company during 1918 of \$106,181.72.

4-5-a

## Schedule A-23-24

1. Description of property sold or of property in respect of which a loss is claimed: Investment in branch house located in Berlin, Germany, incorporated as the S. S. White Dental Mfg. Co. m.b.H. stock fixtures and furniture.
  2. Date acquired: 1896.
  3. Fair market price or value on March 1, 1913, if acquired before that date, or cost if acquired after Feb'y. 23, 1913: \$228,303.60.
  8. Total from column (3) \$228,303.60.
  7. Salvage value, if any of property on which a loss is claimed: 97,539.46.
  10. Total of Item 7, inclusive: 97,539.46.
  11. Loss difference between columns 8 and 10: 130,764.34.
  12. Cause of loss: entire investment confiscated by German Imperial government resulting in a total loss to this company.
- . . . . .

5-5-9

**Page 8—Income Schedules—Continued**  
**SCHEDULES SUPPORTING SCHEDULE A**

The schedules called for below should be prepared and firmly stapled to this return. Designate each schedule with the number of the item in Schedule A which it explains. Make schedules on paper of uniform size so far as practicable. In the space provided for the purpose on page 1 in all schedules attached to this return, giving the title and schedule number of each.

**SCHEDULE A8: COST OF GOODS SOLD, EXCLUSIVE OF REPAIRS, REPAIRS, AND OTHER ITEMS CALLED FOR SEPARATELY.**

In respect of Item 8, Schedule A, expenses reported in manufacturing or buying questions should submit an analysis, in reasonable detail, of the cost of goods sold. The statement should include the following items but need not include any expense items called for separately in Schedule A.

1. Invention or beginning of period (to be reconciled with balance sheet).
2. Purchases during period.
3. Labor and wages actually charged to manufacturing cost on the corporation's books, showing the principal items separately.
4. Other expenses actually charged to manufacturing cost on the corporation's books. (State separately large or unusual items.)
5. Total.

Notes:

1. Invention at close of period (to be reconciled with balance sheet).
2. Cost of goods sold (Item 8, line 10).

Notes.—Inventories should be valued at (a) cost or (b) cost or market, whichever is lower, provided, however, that whenever basis was adopted by a taxpayer for the taxable year 1917 must be continued unless upon application to the Commissioner permission is granted to change. If basis (3) is used it must be applied to each item in the inventory and not to a part only. Inventories should be recorded in a legible manner, properly signed and witnessed, and should be preserved as a part of the accounting records of the taxpayer. (See Article 1981 to 1986 of Regulations No. 49.)

State how each of the above mentioned items for valuing inventories is used in this return.

**SCHEDULE A9: GROSS INCOME FROM OPERATIONS OTHER THAN TRADING OR MANUFACTURING, LESS ALLOWANCES.**

Submit a schedule showing the nature and amount of the principal items included in Item 9, Schedule A.

Life insurance companies should enter on Item 9, Schedule A, the total premiums received from policyholders less such portion thereof as has been paid back or credited to, or treated as an statement of premiums of, such policyholders within the taxable year. (See Article 160 and 167 of Regulations No. 49.)

Mutual marine insurance companies should report on Item 9, Schedule A, the gross premiums collected and received by them less amounts paid for reinsurance.

**SCHEDULE A6: INTEREST ON OBLIGATIONS OF UNITED STATES OR ITS POSSESSIONS NOT EXEMPT.**

Enter in table below the maximum amount of Liberty Bonds and other obligations of the United States issued since September 24, 1917 (per value held at any one time, then which interest was derived during the taxable year).

1. Name of Obligation	2. Maximum Amount of Obligation	3. Maximum Redemption
1st Liberty Loan converted into United States Liberty Bonds		
2nd Liberty Loan converted into United States Liberty Bonds		
3rd Liberty Loan converted into United States Liberty Bonds		
4th Liberty Loan		
5th Liberty Loan		
6th Liberty Loan		
7th Liberty Loan		
8th Liberty Loan		
9th Liberty Loan		
10th Liberty Loan		
11th Liberty Loan		
12th Liberty Loan		
13th Liberty Loan		
14th Liberty Loan		
15th Liberty Loan		
16th Liberty Loan		
17th Liberty Loan		
18th Liberty Loan		
19th Liberty Loan		
20th Liberty Loan		
21st Liberty Loan		
22nd Liberty Loan		
23rd Liberty Loan		
24th Liberty Loan		
25th Liberty Loan		
26th Liberty Loan		
27th Liberty Loan		
28th Liberty Loan		
29th Liberty Loan		
30th Liberty Loan		
31st Liberty Loan		
32nd Liberty Loan		
33rd Liberty Loan		
34th Liberty Loan		
35th Liberty Loan		
36th Liberty Loan		
37th Liberty Loan		
38th Liberty Loan		
39th Liberty Loan		
40th Liberty Loan		
41st Liberty Loan		
42nd Liberty Loan		
43rd Liberty Loan		
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97th Liberty Loan		
98th Liberty Loan		
99th Liberty Loan		
100th Liberty Loan		

Notes.—This exemption as to loans in 15 (maximum \$10,000) is limited to one and one-half times the amount of bonds of the Fourth Liberty Loan originally subscribed for and sold before June 1, 1918. State that amount here, \$10,000.00.

In order to ascertain the amount to be entered on Item 6, Schedule A, refer first to the table above.

If the amount entered in column 3 of the table for any class of obligations exceeds the maximum exemption for the total class of obligations less any part of the 10,000 exemption assigned to that class (see column 2), which item a schedule showing in separate columns the following information:

- (a) Class of obligation.
- (b) First and last dates of each period during which the corporation's holdings of that class of obligation remained unchanged.
- (c) Amount of obligations of that class held by the corporation during each such period.
- (d) Amount by which such amount entered in column (3) exceeds the maximum exemption for that class of obligations.
- (e) Rate of interest.
- (f) Interest derived from such amount of principal stated in column (d).

For the purpose of showing changes in holdings and applying the exemption, classes in 15 must be taken jointly, but for the purpose of computing the taxable interest they must be entered separately.

Submit on Item 6, Schedule A, the total of columns (f) for all classes of obligations. Submit also a statement showing the amount of interest derived from bonds and other obligations of the United States and its possessions, exclusive of those described in the table above.

**SCHEDULE A5: INTEREST FROM OTHER SOURCES.**

Submit a schedule showing the source, nature, and amount of the principal items included herein, the other items being grouped in one figure. The total of the schedule should be entered on Item 5, Schedule A.

For interest on foreign bonds submit a schedule showing (a) name of country; (b) kind of obligation; (c) amount of interest, state, municipal, or corporate obligations; (d) amount of principal; and (e) amount of interest.

**SCHEDULE A4: DIVIDENDS ON STOCK OF FOREIGN CORPORATIONS.**

Submit a schedule showing (a) name of corporation; (b) country in which organized; (c) total per value of stock held; and (d) amount of dividends.

**SCHEDULE A3: GROSS INCOME FROM ALL OTHER SOURCES EXCEPT DIVIDENDS (not including any amount in respect of capital assets or nonexempt investments).**

Submit a schedule showing the source, nature, and amount of the principal items included herein, the other items being grouped in one figure. The total of the schedule should be entered on Item 10, Schedule A.

**SCHEDULE A2: ORDINARY AND NECESSARY EXPENSES (except amounts called for separately in Schedules A and not including cost or value of capital assets or nonexempt investments sold during taxable year).**

Submit a statement showing character and amount of the principal items included in Item 11, Schedule A.

Insurance companies should state separately in Schedule A12 (a) the net profits required by law to be made within the taxable year to reserve funds (including the cost of management) insurance companies the actual deposit of same with State or United States Government to have as additions to government or reserve funds, and (b) the net profit of more than dividends paid within the year on policy and monthly contracts.

Corporations issuing policies covering life, health, and accident (insurance combined in one policy issued on the ready payment plan containing for life and not subject to cancellation should report in Schedule A12 each part of the net profits (not required by law) made within the taxable year to reserve funds as is required for the protection of the holders of such policies.

Mutual marine insurance companies should report in Schedule A12 amounts paid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the accumulation and the payment thereof.

Mutual insurance companies (other than mutual life and accident policies insurance companies) that require their members to make premium deposits to provide for loans and expenses should report in Schedule A12 the amount of premiums deposited returned to their policyholders and the amount of premium deposits retained for the payment of loans, expenses, and insurance reserves (unless deducted elsewhere in Schedule A).

**SCHEDULE A11: COMPENSATION OF OFFICERS.**

Submit a schedule showing for each officer (1) name, (2) duties, (3) time devoted to each duty, (4) salary or other compensation, (5) total annual compensation for the years 1916, 1917, and 1918, and (6) reasons for increase.

**SCHEDULE A10: REPAIRS (including labor, supplies, material, and other items properly chargeable to repairs).**

Submit a schedule showing the nature and amount of the principal items included in Item 14, Schedule A.

Incidental repairs, which do not add to the value or appreciably prolong the life of property, are deductible as expenses. Expenditures for new buildings or for permanent improvement or betterment which increases the value of the property are chargeable to capital account. Expenditures for repairing or replacing property are not deductible under this or any other item of the return. Expenditures are chargeable to repair account or to depreciation reserve, depending on the treatment of depreciation on the books of the taxpayer.

**SCHEDULE A13: EXHAUSTION, WEAR AND TEAR (including obsolescence).**

Submit a schedule showing the nature and amount of the principal items included in the following information:

1. A classification of depreciable assets subdivided on the basis of (a) character, (b) term of useful life.
2. The fair market value of such assets March 1, 1913, if acquired before that date.
3. The cost of such assets if acquired after February 28, 1913.
4. The estimated life or term of reasonable usefulness of such assets from date accepted or from March 1, 1913, as the case requires. Give reasons for your classification.
5. For each class of assets state:
  - (a) The total amount of depreciation from March 1, 1913, to the beginning of the taxable year.
  - (b) The total amount of depreciation (reduction, wear and tear, including obsolescence) claimed for the taxable year.
6. A reconciliation of all figures shown in this schedule with corresponding figures reflected in the balance sheet.

**SCHEDULE A12: AMORTIZATION OF WAR FACILITIES.**

If amortization of war facilities is claimed the taxpayer is required to submit with this return the information and schedule called for in Article 191 to 197 of Regulations No. 49.

**SCHEDULES A22 AND A24: PROFIT OR LOSS ON SALES OF CAPITAL ASSETS AND INVESTMENTS (including depreciation, wear and tear, obsolescence, and other items properly chargeable to depreciation).**

Submit a schedule showing the nature and amount of the principal items included in the following information:

1. Description of property sold or of property in respect of which a loss is claimed.
2. Date acquired.
3. Fair market price or value on March 1, 1913, if acquired before that date, or cost if acquired after February 28, 1913.
4. Cost of improvements, if any, since February 28, 1913, or since date of acquisition, if acquired after February 28, 1913.
5. Total of Items 1 and 2.
6. Depreciation or depletion of property subject thereto—
  - (a) Per books.
  - (b) Amount lost net on books.
7. Salvage value, if any, of property on which a loss is claimed.
8. Amount of insurance or other recovery on property, if any.
9. Proceeds of sale or cost value of property received in exchange (for Schedule A22) or in Item 10, Schedule A (see Item 10).
10. Total of Items 1 to 9, inclusive.
11. Profit or loss.
12. Name of loss (for items listed in Item 24, Schedule A).

Notes.—Submit evidence substantiating the basis and by you in arriving at the net value of property received in exchange for other property.

**COMPENSATION AT RATE OF \$2,000 OR MORE PER ANNUM.**

Submit a schedule showing for each employee (1) a statement of the corporation, whose compensation is at the rate of \$2,000 or more per annum, how similar to that called for in Schedule A11.

**WORKING PAPERS.**

Every corporation should preserve, available for inspection by a revenue officer, working papers showing—

1. The balance in each account on the corporation's books that was used in preparing Schedule A.
2. The amount deducted from each such balance on account of each class of nonexempt income, unallowable deductions, and other adjustments indicated in Schedule B, with a reference to the number of the item in Schedule B to which such amount is deducted or is included.
3. The remainder of each such balance, analyzed to show the amount included in each item of Schedule A, with a reference to the number of the item in Schedule A to which such amount was included.

## Page 4—Invested Capital Schedules

## SCHEDULE E—CAPITAL, SURPLUS, AND UNDEVELOPED PROFITS AS SHOWN BY BOOKS BEFORE ANY ADJUSTMENTS ARE MADE THEREON.

Be. Study carefully extending to the end of the preceding taxable year should be stated in this schedule to the extent that it is paid up. If stock at stated value is issued at a premium value or without par value, the entire amount shall be reflected in the books in respect thereof at the close of the preceding taxable year.

1. The book should include paid in surplus per book at the end of the preceding year. If any amount is claimed under Section 2001(a) of the Revenue Act of 1918 or under Article 200 of the Regulations thereunder, the amount claimed should be entered under Item 1, Schedule F, and set in this schedule.

27. Remove which represent fluctuations of surplus and were not accumulated through deductions made in computing net income as reported in previous years any (1) property acquired, be entered on Item 7. Such entries should be identified and if necessary reconciled with independent sources.

28. The cost (or book value) of different items of treasury stock held at the end of the preceding taxable year should be indicated on Item 9, if the par value of such stock is included in the amount entered on Item 4. Treasury stock included in the amount required by the corporation and not received, regardless of the reason for the acquisition.

Item	1911	1912	1913	1914	TOTAL YEAR
Capital stock paid up and actually outstanding at the close of the preceding year:					
1. Paid (preferred)					
2. Common	1,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	
3. Total	1,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	
Surplus and undivided profits:					
4. Paid-in surplus					
5. Earned surplus and undivided profits	6,566,463.56	724,379.98	742,119.77	984,620.79	
6. Reserve, additions to which are not distributable in computing net income (to be reconciled with balance sheet item)					
7. Other reserve or reserve of S. S. White	6,566,463.56	5,724,379.98	5,742,119.77	5,984,620.79	
8. Deduct cost of treasury stock (or book value) of different items (net), if any is included above as outstanding					
9. New total (Item 3 plus Item 5)	5,566,463.56	5,724,379.98	5,742,119.77	5,984,620.79	

## SCHEDULE F—ADJUSTMENTS BY WAY OF ADDITIONS.

1. If, in addition to invested capital is claimed in Item 1, Schedule F, submit a statement showing (a) the kind of property, (b) the year in which it was paid in, (c) from where acquired, (d) the date of acquisition, (e) the actual cash value of such property at the time when paid in, (f) the par value of such or shares issued therefor and (g) the book value of the property as determined and the date when such determination was made.

2. If, in addition to invested capital is claimed in Item 1, Schedule F, submit a statement showing (a) the kind of property, (b) the year in which it was acquired, (c) the date of acquisition, (d) the actual cash value of such property at the time of acquisition, (e) the par value of such or shares issued therefor and (f) the book value of the property as determined and the date when such determination was made.

when made, written off in time of depreciation? If so, explain what adjustments have been made to provide for depreciation. In view of the proposed restoration in surplus.

29. If any additions to invested capital is claimed in Item 1, Schedule F, state specifically the amount of depreciation on written off each year in the books of the company, and the amount allowed as a deduction computing net income.

30. If any assets of the trade or business in existence during both the taxable year and the preceding year are included in the invested capital for the taxable year but not for each preceding year, or are valued at a different basis in computing the invested capital for the taxable year and each preceding year, entries should be made in this schedule adjusting the invested capital for each preceding year affected so as to value such assets upon the same basis in the preceding period as in the taxable year.

Item	1911	1912	1913	1914	TOTAL YEAR
1. Add cost value of tangible property directly and indirectly to assets of the taxable year and of the loss or other contribution paid in the year of acquisition					
2. Additions to surplus (Articles 2001 to 2004)					
3. Depreciation charged in the accounts of the corporation but not allowable as a deduction on income tax returns (to be reconciled with balance sheet item)					
4. Adjustment of valuation of assets in existence both during taxable year and in previous period (Article 2004)					
5.					
6.					
7.					
8. Total					

## SCHEDULE G—ADJUSTMENTS BY WAY OF DEDUCTIONS.

1. If, in any period, copyright, secret process or formula, paid up, trade-mark, trade name, or other intangible property, paid in for stock, entered on the books of the corporation at a value in excess of the actual cash value when paid in? 200.

2. Is more of the par value of the stock issued than? 200. Is the aggregate of such amounts acquired prior to March 8, 1917, entered on the books at a value in excess of 25 per cent of the par value of the stock? 200. Is the aggregate of such amounts entered on the books at a value in excess of 25 per cent of the par value of the stock outstanding at the beginning of the taxable year? 200.

3. If the answer to any of the foregoing questions is "yes," submit a statement showing separately with respect to each amount acquired (1) before March 8, 1917, and (2) on or after that date: (a) Date of acquisition; (b) cash value at that date, with a complete statement of the facts upon which such cash value was determined; (c) par value of the stock issued therefor; (d) par value of total stock outstanding March 8, 1917; (e) par value of total stock outstanding at the beginning of the taxable year; (f) the value at which such assets were entered on the books of the corporation.

4. If the intangibles were acquired before March 8, 1917, the amount by which (1) par value, (2) 25 per cent of par value, or (3) par value, whichever is correct, was entered on Item 1, Schedule F, for the taxable year and for each year of the preceding period that is affected.

5. If the intangibles were acquired on or after March 8, 1917, the amount by which the par value of the stock issued therefor (1) on or after that date, with a complete statement of the facts upon which such cash value was determined; (2) par value of the stock issued therefor; (3) par value of total stock outstanding March 8, 1917, and also on or after that date, deduction shall be made so that the amount included in the invested capital for the taxable year shall not exceed 25 per cent of the par value of the total stock outstanding at the beginning of the taxable year.

6. If the stock of the corporation was issued at a nominal value or without par value for the purpose of the corporation under Item 1, the par value shall be deemed to be the actual value of the stock at the date of issue. The aggregate value as determined by the books of the corporation, March 8, 1917, or at the beginning of the taxable year, shall be the basis for the computation.

7. Is any tangible property, paid in for stock, entered on the books of the corporation at a value in excess of the actual cash value when received? 200. In excess of the par value of the stock paid therefor? 200.

8. If the answer to either of the foregoing questions is "yes," submit a statement showing separately with respect to each amount paid (1) before March 8, 1917, and (2) on or after that date: (a) Date of acquisition; (b) cash value at that date, with a complete statement of the facts upon which such cash value was determined; (c) par value of the stock issued therefor; (d) par value of total stock outstanding March 8, 1917, and also on or after that date, deduction shall be made so that the amount included in the invested capital for the taxable year shall not exceed 25 per cent of the par value of the total stock outstanding at the beginning of the taxable year.

9. If the answer to either of the foregoing questions is "yes," submit a statement showing separately with respect to each amount paid (1) before March 8, 1917, and (2) on or after that date: (a) Date of acquisition; (b) cash value at that date, with a complete statement of the facts upon which such cash value was determined; (c) par value of the stock issued therefor; (d) par value of total stock outstanding March 8, 1917, and also on or after that date, deduction shall be made so that the amount included in the invested capital for the taxable year shall not exceed 25 per cent of the par value of the total stock outstanding at the beginning of the taxable year.

10. If the answer to either of the foregoing questions is "yes," submit a statement showing separately with respect to each amount paid (1) before March 8, 1917, and (2) on or after that date: (a) Date of acquisition; (b) cash value at that date, with a complete statement of the facts upon which such cash value was determined; (c) par value of the stock issued therefor; (d) par value of total stock outstanding March 8, 1917, and also on or after that date, deduction shall be made so that the amount included in the invested capital for the taxable year shall not exceed 25 per cent of the par value of the total stock outstanding at the beginning of the taxable year.

The amount of (1) year (2) must be entered as Item 8, Schedule G, for the taxable year and for each year of the preceding period that is affected. However, no deduction is necessary if adequate adjustment has been made under Item 1 of this schedule.

11. Was the business acquired or consolidated or was its ownership changed or was there a change in ownership of property after March 8, 1917? 200. If so, answer the following questions:

(a) Did an interest of 50 per cent or more in the business or in the property which changed ownership remain in the control of the same persons, corporations, associations, or partnerships, or of any of them? 200.

(b) Were any of the assets entered on the books of the corporation making this return at a higher value than on the books of its predecessor? 200.

(c) If such previous owner was not a corporation, submit a statement showing (1) the cost of acquisition for the previous owner of any asset so transferred or received; (2) the amount of depreciation on such asset for the previous owner, not deducted as expense or otherwise since March 8, 1917, by such previous owner; (3) the allowance for depreciation, depletion, or impairment since the date of acquisition by such previous owner.

(d) If all, or substantially all, of the property was acquired from a corporation during the taxable year which owns before March 8, 1917, the predecessor corporation and the beginning of the taxable year and as of the date immediately prior to the transfer of the property to the corporation making this return, and also a balance sheet or statement of the corporation making this return showing the value at which such property received or transferred was entered on the books.

The increase in book value of any property acquired by negotiation, contribution, or change of ownership, over the amount allowable to the predecessor corporation at the time of acquisition or computed under (1) above, if the previous owner was not a corporation, shall be deducted from the invested capital for the taxable year as Item 4, Schedule G.

12. Is any property (including physical property, acquisition, and intangible property) paid for with cash or with other tangible property entered on the books of the corporation at a value in excess of the amount of cash paid therefor or the actual cash value of the tangible property paid therefor? 200. If so, submit a statement showing (1) kind of property; (2) date of acquisition; (3) actual cash value of cash paid therefor; (4) cash value of the property when paid in; (5) the book value at which the property was entered on the books of the corporation; and (6) amount of (1) year (2) or (3). This statement must be entered on Item 4, Schedule G, for the taxable year and for each year of the preceding period that is affected.

13. Has adequate provision been made in the expense accounts of the company for (a) losses of every kind? 200; (b) depreciation? 200; (c) obsolescence? 200.

14. In case of mineral deposits, timber supplies, and the like: (a) If adequate charge has not been made for depreciation, depletion, obsolescence, and other losses, and the value of the property has not been estimated by independent sources that have been charged to expense, proper additional charges thereby must be computed for all years in which the asset was on the books, and the amount of such charges must be entered on Item 4, Schedule G, for the taxable year (and for each year of the preceding period that is affected) and deducted in carrying of the surplus and undivided profits.

May 4, 1921.

Commissioner of Internal Revenue,  
Washington, D. C.

In re: The S. S. White D. M. Co.,  
Amended Returns 1916-1917-1918-1919.

Sir:

There is herewith submitted Amended Returns for The S. S. White Dental Manufacturing Company, 211 South 12th Street, Philadelphia, Pa., for the calendar years 1916, 1917, 1918 and 1919, showing a net overpayment of taxes in the four amended returns for the years above indicated as given in detail as follows:

1913 - 1914 - 1915

The depreciation charged in the taxable years of 1913-1914-1915 as set forth in the balance sheets attached to the 1916 amended return which were not deducted from the net income in fixing the tax liabilities of those years are claimed as credits now against the underpayment of taxes for 1916 and are as follows:

1913 Depreciation charged	\$ 9,819.30	tax ---	\$ 98.19
1914       "       "	11,878.05	"	118.78
1915       "       "	<u>11,858.05</u>	"	<u>118.58</u>
Total	\$ 33,555.40		\$ 335.55

- 1916 -

The original return showed a total net income of \$378,187.07; and a tax liability of \$7,563.44.

The amended return shows a net income of \$400,563.78 and a tax liability of \$8,011.28 being an underpayment of taxes of \$447.54 of which amount \$335.55 is credited to the overpayment of 1913 - \$98.19, 1914 - \$118.78 and 1915 - \$118.58 and the balance of the underpayment \$111.99 is credited to the overpayment of 1917.

The differences of net income are explained as follows:

Net income on Amended return	\$ 400,563.78
"       "       " Original "	<u>378,187.07</u>
	\$ 22,376.71

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Gross income omitted from original return	\$ 1,993.60
Berlin, Germany reserve deduction	20,000.00
Bad Debts excess deduction	3,137.29
General expense item not deductible	<u>5,569.87</u>
	\$30,700.76

Less depreciation not taken	<u>\$ 324.05</u>	\$ 22,376.71
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The corrected balance sheet for December 31, 1916  
as follows: -

Balance Sheet  
Dec. 31, 1916

Assets:		Liabilities:	
Cash	\$ 327,163.16	Capital Stock	\$ 5,000,000.00
Land	247,003.00	Accounts Payable	139,438.45
Buildings	595,063.76	Reserves for Depre-	
Machinery & Equipment	618,379.41	ciation	111,658.20
Patents	35,000.00	Undivided Profits	802,610.14
Good Will	109,120.00		
Investments	65,000.00		\$ 6,053,706.79
Prepaid items	92,160.20		
Notes Receivable	409,527.27	Invested Capital	5,802,610.14
Accounts Receivable	1,109,947.01	Surplus	802,610.14
Inventory	<u>2,245,352.98</u>		
	\$ 6,053,706.79		

1917.

The original return showed a net income of \$414,702.57 with a tax liability of \$25,556.82.

The amended return shows a net income of \$394,051.70 with a tax liability of \$23,643.09.

The differences in net income are explained as follows:

Net income of original return	\$ 414,702.57
" " " amended "	<u>394,051.70</u>
Difference	\$ 20,650.87

Exempt interest included in original return	\$ 1,775.33
Additional bad debts omitted in original return	3,067.71
Additional depreciation omitted in original return	<u>15,807.83</u>

Total	\$ 20,650.87
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2-4-a

The original return showed a net invested capital on which the excess profits credits were predicated of \$5,830,198.71, giving a credit at 7% plus the exemption of \$3,000.00 of \$411,113.91, while the amended return shows a net invested capital of \$5,798,524.42 and an excess profits credit, including the exemption of \$3,000.00 of \$408,896.71.

The corrected balance sheet for December 31, 1917, as follows:

Balance Sheet Dec. 31, 1917			
Assets:		Liabilities:	
Cash	\$ 189,923.15	Capital Stock	\$ 5,000,000.00
Land	247,003.00	Notes Payable	990,000.00
Buildings	703,711.99	Accounts Payable	264,398.07
Machinery & Equipment	1,072,267.55	Mortgage	6,000.00
Patents	35,000.00	Res. for Depreciation	232,959.24
Good Will	109,120.00	Undivided Profits	984,620.79
Investments	221,000.00		
Liberty Bonds	101,447.33		\$ 7,477,978.10
Prepaid Items	235,067.50		
Notes Receivable	236,096.85	Invested Capital	\$ 5,984,620.79
Accounts Receivable		Surplus	984,620.79
	1260,010.25		
Inventory	<u>3,067,330.68</u>		
	\$ 7,477,978.10		

1918.

The original return showed a net income of \$662,320.91, and a tax liability of \$132,582.27.

The amended return shows a net income of \$639,886.52, and a tax liability of \$119,183.08.

The differences in net income are explained as follows:-

The net income of the original return was	\$ 662,320.91
" " " " " amended " "	<u>639,886.52</u>
	22,434.39

The differences in net income are explained as follows:

Additional deduction for Berlin property omitted from original return	\$ 20,000.00
Additional deduction for depreciated omitted from original return	<u>2,434.39</u>
Total	<u>22,434.39</u>
	0

The original return showed a net invested capital \$ 5,830,254.73, giving a credit at 8% plus the exemption of \$3,000.00 of \$489,420.38 while

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the amended return shows a net invested capital of \$5,924,863.63, giving a credit at 8% plus the exemption of \$3,000.00 of \$476,989.09.

The corrected balance sheet for December 31, 1918, as follows:-

Balance Sheet  
Dec. 31, 1918

Assets:		Liabilities:	
Cash	\$ 307,750.42	Capital Stock	\$ 5,000,000.00
Land	251,990.69	Notes Payable	750,000.00
Buildings	634,597.34	Accounts Payable	225,302.62
Machinery & Equip- ment	1,237,671.20	Res. for Depreciation	371,021.87
Patents	45,000.00	Undivided Profits	<u>1,388,293.95</u>
Good Will	109,120.00		\$ 7,744,618.44
Investments	201,000.00		
Liberty Bonds	216,560.25	Invested Capital	\$ 6,388,293.95
Canadian Bonds	400.00	Surplus	1,388,293.95
Prepaid Items	21,941.30		
Precious Metals	46,521.18		
Notes Receivable	205,385.79		
Accounts Receivable			
	1,152,681.13		
Inventory	<u>3,113,799.14</u>		
	\$ 7,744,618.44		

1919.

The original return showed a net income of \$1,277,655.63 and a tax liability of \$272,325.39.

The amended return shows a net income of \$1,257,950.76 and a tax liability of \$260,557.95.

The differences in net income are explained as follows:

The net income of original return was	\$ 1,277,655.63
" " " " amended " "	<u>1,257,950.76</u>
Difference	\$ 19,704.87

Additional depreciation taken in amended return	\$ 23,503.51
Depreciation included in ordinary ex- pense in the original return	<u>3,798.64</u>
Difference	<u>19,704.87</u> 0

The original return showed a net invested capital of \$6,228,970.11 giving a credit at 8% plus the exemption of \$3,000.00 of \$501,317.61, while the amended return shows a net invested capital of \$6,282,605.29 giving a credit at 8% plus the exemption of \$3,000.00 of \$505,608.42.

The corrected balance sheet for December 31, 1919 as follows:

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Balance Sheet  
Dec. 31, 1919

Assets:		Liabilities:	
Cash	\$ 265,723.93	Capital Stock	\$ 5,000,000.00
Land	256,090.69	Notes Payable	770,000.00
Buildings	901,027.33	Accounts Payable	298,455.17
Machinery & Equipment	1,453,760.54	Reserve for Depreciation	547,217.11
Patents	47,962.86	Undivided Profits	<u>2,206,673.30</u>
Good Will	109,120.00		\$ 8,822,345.58
Investments	309,139.73		
Liberty Bonds	395.00		
Canadian Bonds	5,000.00	Invested Capital	7,206,673.30
Prepaid Items	48,777.07	Surplus	2,206,673.30
Precious Metals	52,763.96		
Notes Receivable	307,642.46		
Accounts Receivable	1,405,285.28		
Inventory	<u>3,659,656.73</u>		
	\$ 8,822,345.58		

The overpayments of tax liability are as follows:-

The 1913 return	98.19
" 1914 "	118.78
" 1915 "	118.58
" 1917 "	1,913.73
" 1918 "	13,399.19
" 1919 "	<u>11,767.44</u>
Total	\$27,415.91

Less

Underpayment of tax liability  
for 1916447.54

Net overpayment

\$25,968.37

It is confidently expected that these explanations of differences between the original and amended returns filed will clearly set forth their character and enable your Office to render a proper audit of these returns.

54a

Very truly yours,

THE S. S. WHITE DENTAL MANUFACTURING CO.

TREASURER.

21

Exhibit B to petition

[Copy—Translation]

Meyers & Co. Import-Export-Commission. Telephone: Centrum 5110. Cable address: Meyers Comp. Wilhelmstr. 42b. ABC code, 5th edition, used

BERLIN W. 66, Mar. 19, 1918, WILHELMSTR. 42B.

MR. HERMAN UBERT,

Berlin-Scheneberg, Sponholzstr. 1:

Hereby I wish to inform you and request you to take note of it that I have been appointed by the Minister of Commerce and Manufactures as sequestrator of the concern The S. S. White Dental Manufacturing Company, m.b.h.

At the same time I wish to inform you hereby that from this day on further purchases in any articles are not allowed any longer and deliveries and sales are to be made from the stock on hand. Orders for which no goods are on hand must remain unfilled. The other business transactions shall be continued until further in the same manner as heretofore. About the business in general I wish to be advised every two days, about special matters at once.

As to the incoming money and the depositing of same with the bank, all necessary signatures must be given by me. Eventually I will give you power of attorney to receive money. The bank has also been advised of the above.

Yours truly,

(Signed) EMIL MEYERS,  
*In the Firm of Meyers & Co.*

*Exhibit C to petition*

[Copy]

IT:CA:M-2. CEO-2114-4-App.

TREASURY DEPARTMENT,  
*Washington, Sept. 5, 1923.*

S. S. WHITE DENTAL MANUFACTURING COMPANY,

% Mr. Charles A. Brown,

*819 Fifteenth St. N. W., Washington, D. C.*

SIRS: Reference is made to your recent appeal from the action of the Income Tax Unit in denying a deduction claimed for losses in 1918 amounting to \$130,764.34 and in allocating to the year 1917, \$15,435.81 of a total deduction for repairs amounting to \$56,379.34 claimed in your 1918 return.

The Commissioner of Internal Revenue has approved committee on appeals and review recommendation #3075 that the losses in 1918 amounting to \$130,764.34 be disallowed and that deductible expenditures in the amount of \$56,379.34 be allowed in 1918, of which you have previously been advised. A redetermination of your tax liability for 1916 to 1918, inclusive, in accordance with the above and data heretofore presented, indicates an additional tax of \$84,423.60, summarized as follows:

1916 waiver-----	\$610. 01
1918-----	83, 813. 59
	<hr/>
	\$84, 423. 60

The decrease in your tax liability from the amounts indicated in office letter dated December 21, 1922, to those indicated above is due to allowing the full deduction of \$56,379.34 for repairs in 1918.

Your claims for credit of \$335.55, corporation income tax for 1913 to 1915, inclusive, claim for refund of \$1,134.45, corporation income tax for 1916, claims for credit of \$1,801.74 and \$111.99, corporation income and profits tax for 1917, claims for credit of \$13,399.19 and \$11,767.44 corporation income and profits taxes for 1918 and 1919, respectively, have been considered in the foregoing adjustments and will be made the subject of a separate communication from this bureau.

In the final audit of your return for 1917, the overassessment of \$1,628.16 indicated in agent's report dated August 16, 1922, has been changed to an additional tax of \$69.26.

This amount, however, will not be assessed inasmuch as the collection thereof is barred by the statute of limitations.

Adjustment of the tax will now be made in due course.

Respectfully,

J. G. BRIGHT, *Deputy Commissioner.*

24

*Exhibit D to petition*

[Copy]

NOVEMBER 14, 1923.

HON. BLAKELY D. McCAUGHN,

*U. S. Collector of Internal Revenue,*

*First District of Pennsylvania,*

*Philadelphia, Pennsylvania.*

DEAR SIR: Amended notice and demand for payment to the United States of income and excess profits taxes dated November 7th, 1923, in the amount of \$83,813.59, based on committee on appeals and review recommendation No. 3075 of the United States Internal Revenue Bureau that losses of this corporation in 1918, amounting to \$130,764.34, by reason of sequestration of its property "The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany," by the Imperial German Government be disallowed, is received.

This corporation vigorously protests against the payment of said taxes amounting to \$83,813.59, as set forth in said assessment as earnestly as it has heretofore done as shown by the records of the United States Internal Revenue Bureau. Said assessment is unjust, erroneous, and illegal, as the said losses in question upon which it is based are deductible under the law and this corporation says that it should not be required to pay said assessment based on said losses as set forth in Bureau of Internal Revenue's letter of September 5, 1923, signed by J. G. Bright, deputy commissioner, initialed IT:CA:M-2.

25 CEO-214-4 App. and your amended notice and demand for payment of tax dated November 7, 1923.

While the United States Internal Revenue Bureau insists upon the payment of the said assessment to you as collector, this corporation distinctly states that the payment by it of said assessment is in no way to be considered a voluntary payment of said assessment and here and now serves notice upon you as collector of United States internal revenue and the Commissioner of United States Internal Revenue that it protests against the payment of said taxes as duress and coercion upon this corporation by the United States Bureau of Internal Revenue and it further states that upon the payment of said assessment it will immediately file a claim for refund of said taxes erroneously and illegally collected from it with you as collector of United States internal revenue and the Commissioner of Internal Revenue upon the proper form of the United States Bureau of Internal Revenue.

Check in the amount of \$83,813.59 is herewith enclosed to pay said assessment as set forth in your amended notice and demand for additional taxes assessed for the calendar year 1918, dated November 7, 1923, and which is paid you as collector of United States internal revenue under strict protest and is in no sense to be considered a voluntary payment of your said amended assessment dated November 7, 1923.

This protest, accompanied by check of this corporation dated November 14, 1923, and numbered B24937 is sent you by registered mail with the request that you please acknowledge receipt of both this protest and check.

26 Claim for refund of the taxes made in your amended notice and demand dated November 7, 1923, will be filed immediately after payment of taxes has reached you.

Very truly yours,

EDWARD C. KIRK, *Vice-President.*

I, R. L. Vaill, secretary of The S. S. White Dental Manufacturing Company, do hereby certify that the following is a true and accurate transcript of a resolution adopted by the board of directors of The S. S. White Dental Manufacturing Company at a stated meeting held in Philadelphia, Pa., on the 27th day of April, 1920, at which a quorum was present, and the same is still in force. Said transcript being taken from the minutes of the proceedings of the meeting.

"RESOLVED: That the president, and/or the vice-president or vice-presidents, are hereby authorized and empowered to execute and deliver any agreement, contract, document or instrument which is necessary for the conduct of the current business of the company, and for that purpose to affix the corporate seal of the company when requisite."

In testimony whereof, I have hereunto affixed my official signature, and the seal of the company, in the city of Philadelphia, this 14th day of November, 1923.

R. L. VAILL, *Secretary.*

261/2

Exhibit E to petition

TREASURY DEPARTMENT  
INTERNAL REVENUE SERVICE  
Form 943-Jan. 1923  
Composite General U. S.  
January 14, 1923

(Copy)

## CLAIM FOR EXHIBIT B

IMPORTANT  
File with Collector of Internal  
Revenue where assessment was  
made. Not acceptable unless  
completely filled in.

- ☐ ABATEMENT OF TAX ASSESSED  
☐ CREDIT AGAINST OUTSTANDING ASSESSMENTS  
☒ REFUND OF TAXES ILLEGALLY COLLECTED  
☐ REFUND OF AMOUNTS PAID FOR STAMPS  
USED IN ERROR OR EXCESS

State of Pennsylvania  
County of Philadelphia

## NOTICE TO COLLECTOR

Collector must indicate to which  
there the kind of claim, except in  
Income Tax cases.

Date received by

Administrative Unit

Stamp here

## COLLECTOR'S NOTATION

District

Amount claimed

Date received

Stamp here

Collector of Internal Revenue

TYPE  
OR  
PRINT

The S.S. White Dental Manufacturing Company of  
(Name of taxpayer or purchaser of stamps.) Pennsylvania  
211 S. 12th Street,  
(Street—give street and number or well as city or town and State.)  
Philadelphia, Pennsylvania  
(Mailing address.)

This document, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below with reference to said statement are true and complete:

1. Business in which engaged Dental Manufacturing
2. Character of assessment or tax Income & Excess Profits Tax for 1918
3. Amount of assessment or stamps purchased From January 1, 1918 to December 31, 1918
4. Reduction of Tax Liability requested (Income and Profits Tax) \$
5. Amount to be abated \$
6. Amount to be refunded (or such greater amount as is legally refundable) \$
7. Dates of payment (see Collector's receipts or indorsements of canceled checks) November 14, 1923 \$ 83,813.52  
(If statement covers income tax liability, items 8-11, inclusive, must be answered.)
8. District in which return (if any) was filed First District of Pennsylvania
9. District in which unpaid assessment appears
10. Amount of overpayment claimed as credit \$
11. Unpaid assessment against which credit is asked; period from \$

Deponent verily believes that this application should be allowed for the following reasons:

Said amount of \$83,813.52 paid to the United States as shown by Internal Revenue receipt attached hereto should be refunded to this taxpayer as said amount paid is based upon an erroneous and illegal assessment as said assessment is based upon Committee on Appeals and Review Recommendation No. 3075 of the United States Internal Revenue Bureau that losses of this corporation in 1918 amounting to \$130,764.34 by reason of sequestration of its property "The S.S. White Dental Manufacturing Company, m.b.H. of Berlin, Germany by the Imperial German Government be disallowed. This taxpayer contends that it should not have been required to pay said assessment based on said losses as set forth in Bureau of Internal Revenue's letter of September 5, 1923, signed by J.G. Bright, Deputy Commissioner initialed IT:CA:W-2. This taxpayer insists that it has shown to the Bureau of Internal Revenue its loss in 1918 under subsection 4 of Section 244 of the Revenue Act of 1918 and therefore the amount of \$83,813.59 is refundable to it.

Sworn to and subscribed before me this 16th day

of November 1923

W. Russell

Signed: The S.S. White Dental Mfg. Co.  
Edward C. Kirk  
Vice President

(Notary) Notary

(This affidavit may be sworn to before a Deputy Collector of Internal Revenue or Revenue Agent without charge.)

4-1172



27

*Exhibit F to petition*

[Copy]

IT:CR:E. GN.

TREASURY DEPARTMENT,

*Washington, May 15, 1924.*

THE S. S. WHITE DENTAL MANUFACTURING CO.,

*211 South 12th Street, Philadelphia, Pa.*

SIRS: Your claim for the refund of \$83,813.59, additional tax for 1918, assessment in October, 1923, has been examined.

The claim is based upon the statement that the Committee on Appeals and Review, Recommendation No. 3075, upon which the assessment is based, is erroneous in disallowing the loss claimed by you on account of the sequestration of property by the German Government in the amount of \$130,764.34.

In view of the fact that no additional information has been submitted in further support of your contention, the previous action of the Bureau is sustained.

The claim is, therefore, rejected, and will appear on the next schedule to be approved by the Commissioner.

Respectfully,

J. G. BRIGHT,

*Deputy Commissioner,*(Signed) By L. O. LOHMANN,  
*Head of Division.*

(3602)

28

*II. General traverse*

Sept. 23, 1924

No demurrer, plea, answer, counterclaim, set-off, claim of damages, demand, or defense in the premises having been entered on the part of the defendant, a general traverse is entered as provided by rule 34.

*III. Argument and submission*

On October 27, 1925, this case was argued and submitted on merits by Messrs. John F. McCarron and John Hampton Barnes, for plaintiff, and by Mr. Fred K. Dyar, for the defendant.

29 *IV. Findings of fact, conclusion of law, and opinion of the court by Hay, J.*

November 9, 1925

This case having been heard by the Court of Claims upon a stipulation of the facts made between the parties, the agreement as to the facts being in writing and signed by the plaintiff's attorneys, Mr. John F. McCarron and Mr. John Hampton Barnes, and by William J. Donovan, Assistant Attorney General, the court adopts the said stipulation and sets it out as follows as for its

*Finding of facts*

## I

The plaintiff, The S. S. White Dental Manufacturing Co. of Pennsylvania, is a corporation organized and existing under the laws of the State of Pennsylvania, with its principal office at Philadelphia, in said State, for the purpose of manufacturing and selling artificial teeth, dental tools, instruments, and articles of all kinds, and preparations, apparatus, and articles useful or convenient in the science and practice of dentistry and oral surgery.

## II

The S. S. White Dental Manufacturing Co. of Pennsylvania, parent corporation of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, made an income and profits tax return, and also an amended income and profits tax return, to the United States Commissioner of Internal Revenue of its income for the year 1918, as shown by copies of said returns in Exhibit A to petition and hereby made a part hereof by reference, and deducted as a loss in its said United States income and profits-tax return the sum of \$110,764.34, and in its amended income and profits tax return it deducted \$130,764.34 for the year 1918, made to the said United States Commissioner of Internal Revenue, being the value of all the assets of The S. S. White Dental Manufacturing Co., m. b. h. of Berlin, Germany, which were shown on the books of The S. S. White Dental Manufacturing Co. of Pennsylvania in 1918 and which is called its Berlin loss, for the reason that under date of  
30 March 19, 1918, Herman Ubert, resident manager of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, was notified by one Emil Meyer, a representative of the then German Imperial Government, that he had been appointed sequestrator by the then German Minister for Commerce and Manufacturers, and by said authority, copy of which is as follows:

## EXHIBIT B

## [Copy--Translation]

Myers & Co. Import-Export-Commission. Telephone: Centrum 5110. Cable address: Meyers Comp. Wilhelmstr. 42b. ABC code, 5th edition, used

BERLIN W. 66, Mar. 19, 1918, WILHELMSTR. 42B.

MR. HERMAN UBERT,

*Berlin-Scheneberg, Sponholzstr. 1:*

Hereby I wish to inform you and request you to take note of it that I have been appointed by the minister of commerce and manufactures as sequestrator of the concern The S. S. White Dental Manufacturing Company, m. b. h.

At the same time I wish to inform you hereby that from this day on further purchases in any articles are not allowed any longer and deliveries and sales are to be made from the stock on hand. Orders for which no goods are on hand must remain unfilled. The other business transactions shall be continued until further in the same manner as heretofore. About the business in general I wish to be advised every two days; about special matters at once.

As to the incoming money and the depositing of same with the bank, all necessary signatures must be given by me. Eventually I will give you power of attorney to receive money. The bank has also been advised of the above.

Yours truly,

(Signed)                      EMIL MEYERS,  
*In the firm of Meyers & Co.*

did on March 19, 1918, seize and sequesterate the property of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, for the use of the then Imperial German Government. The property seized and sequestered by the sequesterator consisted of fixtures, cash, book accounts, merchandise stock, and accounts due and owing the said company. Because of the aforesaid sequestration of property, which belonged to The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, the amount of \$130,764.34 was charged off the books of the parent corporation, The S. S. White Dental Manufacturing Co. of Pennsylvania, in the year 1918, as that was the exact amount of the parent corporation's investment in The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, as shown by the books of the said The S. S. White Dental Manufacturing Co. of Pennsylvania in 1918.

The last statement received by the S. S. White Dental Manufacturing Co. of Pennsylvania from The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, prior to sequestration of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, by the German sequesterator, showed the value of the tangible and intangible assets of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, books on January 1, 1917, to be \$149,217.01 in United States currency. Due to the fact that all lines of communication for commercial transactions between the United States and Germany had been discontinued as a result of the war then pending between the United States and Germany, it was not possible to reconcile the \$130,764.34, representing the amount of \$149,217.01 contained in the last statement received from The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, and, therefore, at the time of filing its income and profits tax return for 1918, The S. S. White Dental Manufacturing Co. of Pennsylvania

was restricted absolutely in making said deduction in its United States income and profits tax return for the year 1918 on account of its so-called Berlin loss to the amount of \$130,764.34 appearing on its books as a loss.

## IV

The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, was organized on January 20, 1896, upon which date the said corporation was entered of record in the Berlin Trade Register under No. 1211. The capital of the said company at the time of organization consisted of marks 60,000, and the names of the stockholders and the amount of stock held by each at the time of organization are as follows:

	Marks
The S. S. White Dental Manufacturing Co. of Pennsylvania.....	50,000
H. M. Lewis.....	2,000
W. H. Gilbert.....	2,000
J. Clarence White.....	2,000
Sam J. Jones.....	2,000
Sam S. White, Jr.....	2,000
Marks.....	60,000

In the course of time there were several changes in the register of the original stockholders enumerated above, due to death, and the stock of a number of the aforesaid parties after death was acquired by The S. S. White Dental Manufacturing Co. of Pennsylvania, the parent corporation. Under date of February 10, 1911, the Berlin Trade Register, at Berlin, Germany, was officially notified by The S. S. White Dental Manufacturing Co. of Pennsylvania, that it had acquired the outstanding shares of the other parties in The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, and from said date of February 10, 1911, the parent American corporation became the sole owner of all the stock of the said The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, and was the sole owner of said stock of said corporation at the time of said sequestration by the Imperial German Government on March 19, 1918.

The object of The S. S. White Dental Manufacturing Co. of Pennsylvania, the parent corporation, in organizing The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, was for the purpose of developing a market for the products of the said parent company in Germany and other countries of northern and central Europe. The said The S. S. White Dental Manufacturing Co. of Pennsylvania is and was engaged at the time of the organization of its said German company, The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, in the manufacture of dental goods.

## VI

Under date of January 15, 1921, Mr. W. W. Tomb, internal revenue agent of the Bureau of Internal Revenue, Treasury Department, submitted a report to the United States Bureau of Internal Revenue of an investigation made by him of the income and profits tax liability of the parent corporation, The S. S. White Dental Manufacturing Co. of Pennsylvania, for the years 1916, 1917, and 1918, and in said report he disallowed the amount which plaintiff contends was the loss sustained by it in 1918 and shown in its original United States income and profits tax return for the year 1918 as \$110,764.34 on account of the amount invested by it in The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, which amount is increased to \$180,764.34, as shown by its amended income and profits tax return for 1918, by reason of the fact that said agent, Tomb, restored to the assets the sum of \$20,000 charged off as depreciation in value by The S. S. White Dental Manufacturing Co. of Pennsylvania in its 1916 United States income-tax return.

In the said report of Internal Revenue Agent Tomb, at page 16, he states why he has disallowed the item relating to the loss claimed by plaintiff and called its Berlin loss on account of the sequestration of its property of the German sequestrator in The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, which is as follows:

"The loss of \$110,764.34 on account of the Berlin store has been disallowed as a deduction, for the reason that the taxpayer has a good claim against the German Government, which is thought will be paid eventually. The Berlin store is operated by a German corporation formed expressly for such purpose and owned entirely by the taxpayer. The taxpayer argues that when the German Government seized this property the war was going on without any assurance at that time that the Allies would win, and therefore it was a loss, as definitely ascertained as any loss could be ascertained. However, pending the outcome of the war, the loss would appear to be indefinite, and now the recovery of such claim seems to be only a question of time. According to correspondence in the taxpayer's file, this property was seized early in the year 1918."

And, again, in his report, on page 23, Agent Tomb states:

"The Berlin business was practically suspended during the years 1917 and 1918 on account of the war and the seizure of the property by the German Government, as heretofore stated."

## VII

Subsequent to the filing of an affidavit on October 19, 1921, by plaintiff in the Bureau of Internal Revenue in regard to the amount claimed by it as a loss and known as its Berlin loss, a hearing was held in the Income Tax Unit of the Bureau of Internal Revenue

between representatives of the Income Tax Unit and claimant, and said item claimed as a loss and known as its Berlin loss in the dispute between the Bureau of Internal Revenue and plaintiff was gone into in the said conference or hearing and the matter was again referred to a field agent of the Bureau of Internal Revenue for further investigation. Said field agent was A. Goldstein, of the Bureau of Internal Revenue, who completed his report under date of November 12, 1921, and that part of it relating to plaintiff's so-called Berlin loss is as follows:

"On March 19, 1918, the sequestrator appointed by the German Government took over the taxpayer's property and investment in its branch in Berlin. (Copy of the sequestrator's letter is attached.) This sequestration apparently corresponds to the taking over of the property of enemy aliens in the U. S. by the Alien Property Custodian.

"The investment in the Berlin branch at Dec. 31, 1915, at which time the last authentic report was received, stood as follows:

General investment.....	\$108,718.08
Capital stock.....	15,000.00
Furn. & fix.....	87,829.16
Less rept. depr.....	782.90
	<hr/> 7,046.26
Total.....	<hr/> 130,764.34

### VIII

Under date of December 28, 1921, another hearing was held between representatives of the Bureau of Internal Revenue and plaintiff in the Bureau of Internal Revenue and there were submitted by plaintiff certified copies of excerpts of the minutes of The S. S. White Dental Manufacturing Co. of Pennsylvania as follows:

#### The S. S. White Dental Mfg. Co.

[Extracts from minutes]

Stated meeting, board of directors, November 25, 1918. The S. S. White Dental Mfg. Co., m. b. h.

The president reported he had referred to our counsel the matter of filing claim with the proper department of our Government for the repayment to us of our loss in connection with this property arising out of its confiscation by the German Government.

. . . . .

## The S. S. White Dental Mfg. Co.

[Extract from minutes]

Stated meeting, board of directors, July 29, 1918. The S. S. White Dental Mfg. Co., m. b. h., Berlin

Whereas The S. S. White Dental Mfg. Co., m. b. h., Berlin, represents the following investments in this company's assets as of December 31, 1917:

A-19, capital stock.....	\$15,000.00
B-28, furniture & fixtures.....	7,046.26
B-17, open accounts.....	\$127,670.75
Less formerly adjusted.....	18,952.67
	<hr/> 108,718.08
	<hr/> 130,764.34

and

Whereas in 1916 there was charged as a reserve against this amount the sum of \$20,000; and

Whereas under continued condition of war the loss will, in the judgment of this board, soon be complete:

Resolved, That additional reserves be set up on the following basis, viz, \$15,000 quarterly, beginning March, 1918, until liquidated.

## IX

After a hearing on December 28, 1921, in the Internal Revenue Bureau between representatives of plaintiff and representatives of the Income Tax Unit, the matter of plaintiff's so-called Berlin loss was again referred to a field agent, Paul D. Helfrich, of the Bureau of Internal Revenue, and under date of August 16, 1922, said field agent submitted his report and referred to claimant's so-called Berlin loss as follows:

## "SCHEDULE 10 (A)

## "Explanation of items changed

"(a) Loss Berlin branch is fully explained in report of Nov. 18, 1921, and disallowed, since no evidence has been submitted to show that the stock or investment was worthless."

## X

In a letter of the Income Tax Unit of the Bureau of Internal Revenue, dated December 21, 1922, plaintiff's claim for its so-called Berlin loss was disallowed, and under date of January 5, 1923, another letter was addressed to plaintiff by the said Income Tax Unit explaining why plaintiff's so-called Berlin loss, deducted in its United States income and profits tax return for 1918, was disallowed, stated the following:



"CEO-2114-4-App. This taxpayer insists that it has shown to the Bureau of Internal Revenue its loss in 1918 under subsection 4 of section 234 of the revenue act of 1918, and therefore the amount of \$83,813.59 is refundable to it."

### XV

The Commissioner of Internal Revenue, under date of May 15, 1924, rejected the said refund claim, as shown by copy of his letter attached to petition and made a part hereof (Exhibit F), which has been filed by plaintiff on November 24, 1923, for the recovery of the \$83,813.59 paid as taxes by it under protest on its so-called Berlin loss.

### XVI

No action upon plaintiff's claim has been had before Congress. The said refund claim, in the amount of \$83,813.59, based on plaintiff's so-called Berlin loss, was presented to the United States Commissioner of Internal Revenue, Treasury Department, and the total amount of said refund claim of \$83,813.59 was rejected by the United States Commissioner of Internal Revenue, and plaintiff, prior to filing refund claim, protested against the payment of the said amount of \$83,813.59 to Blakely D. McCaughn, United States collector of internal revenue at Philadelphia, Pa., in writing at the date of payment of the said amount of \$83,813.59, and the said United States Commissioner of Internal Revenue adheres to his said action of rejection. No transfer or assignment of said claim or any part thereof or interest therein has been made. The said claim is now owned by claimant, and no other person or corporation is the owner thereof or is interested therein. Plaintiff has at all times borne true allegiance to the United States and has not in any way voluntarily abetted or given encouragement to rebellion against said government.

### XVII

The S. S. White Dental Manufacturing Co. of Pennsylvania has filed a claim with the Mixed Claims Commission against Germany on account of sequestration of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, as follows:

Item No. 1. Investment in German company as of March 18, 1918, date of sequestration, \$167,033.03 less proceeds of sale of German company, \$6,000	\$161,033.06
Item No. 2. Normal estimated earnings from March 18, 1918, to December 31, 1918, \$23,519.43.	
Item No. 3. Normal estimated earnings from January 1, 1919, to December 31, 1919, \$30,500.01.	
Item No. 4. Normal estimated earnings from January 1, 1920, to March 14, 1920, date of release, \$6,366.65.	60,446.50
Item No. 5. Cash balance on deposit in London branch of Dresdner Bank	887.30
Item No. 6. Consequential injury and damage by loss of development in foreign field and otherwise	145,908.40
	<hr/> \$68,333.32



## XVIII

Frank H. Taylor, president of The S. S. White Dental Manufacturing Co. of Pennsylvania, has filed an affidavit with the Mixed Claims Commission with respect to his company's claim against Germany, as follows:

## EXHIBIT I

STATE OF PENNSYLVANIA,

*County of Philadelphia, ss:*

I, Frank H. Taylor, on oath depose and say that I am president of The S. S. White Dental Manufacturing Company, a corporation organized and existing under the laws of the State of Pennsylvania, the claimant in the memorial to which this affidavit is attached, and that I make this affidavit in support of the said claim.

In 1881 The S. S. White Dental Manufacturing Company was organized to succeed to and acquire the business founded by Samuel Stockton White in the city of Philadelphia in 1844, and has successfully continued it since that date. The company has branches in the cities of New York, Boston, Chicago, Atlanta, and San Francisco, and has subsidiary corporations in Canada, Great Britain, Brazil, and Germany. More than ninety-nine per cent of the capital stock is owned by citizens of the United States.

For seventy-five years the company has produced dental goods of the highest merit and is recognized as the leading manufacturer in its line in the world. It has maintained this position in the face of intense competition, both domestic and foreign, much of it being based on low-priced imitations of its creations. These imitations have been produced in America, in England, and in Germany.

Its foreign business has grown by reason of a demand on the part of the leaders in the profession for reliable and precise appliances and supplies, so that its product reached practically every country.

After a long period of canvassing Europe by travelers, the company established a definite branch house in Berlin twenty-five years ago, and in the face of the competition above recited, this branch has operated at a profit until the events hereinafter stated, its interests having been looked after by highly trained specialists.

When The S. S. White Company of Pennsylvania entered the foreign field in central Europe by the establishment of its Berlin branch in 1896, it carried with its original investment of \$15,000 in the German company a much larger investment represented by fifty years' experience as the leading producer of practically a full line of standard dental material, supplies, and equipment in the world, together with its patents, trade-marks, and good will, owned by the parent concern. With Berlin as its center, the German company, as the chief selling company in central Europe for the S. S. White products, expanded its business gradually to Poland, Russia, Aus-

tria-Hungary, the Balkans, and other countries of central and southern Europe. This company was successful, and a statement of its annual earnings shows that its progress was regular and steady, and that in no year, with the single exception of 1914, from the time of its organization until it was taken over by the sequestrator did it show a loss. A statement showing the invested capital and net earnings from the time of its organization to 1917, inclusive, by years is contained in Exhibit F.

In 1921 I went to Germany to make a personal investigation into the condition and prospect of the German company following an unsuccessful trip in 1919. After inspecting the office and sales-room, conversing with the employees and the leaders of the dental business in Germany, examining in detail the books and records of the German company, I reached the conclusion that the value of the business and good will built up during a period of more than twenty years of successful operation had been completely dissipated as a result of the destructive policy of the German sequestrator, and being convinced that the condition of the German company  
39 was hopeless I sold its tangible assets and its lease for the sum of \$6,000, this amount being, in my judgment as a man experienced for 40 years in corporate management, a fair maximum value of the business under the conditions then existing. During my visit to Germany I learned the following facts:

The business of The S. S. White Company in Germany and central Europe and the moral force that it had built up as a result of our twenty years' operation were finally and completely ruined during the period of German sequestration by the character of the administration to which it was subjected by the German sequestrator and by his general misconduct.

First. The sequestrator began his administration in the spirit indicated in his letter declaring himself sequestrator (Exhibit C, page 23). "From this day further purchases of any articles are not allowed any longer, and delivery and sales are to be made from the stock on hand; orders for which no goods are on hand must remain unfilled." In explaining this position to the force, he repeatedly emphasized that it was not the intention, or that he was not permitted, to conduct the business in a profitable manner.

Second. Following this, he ordered the cancellation of all advertising contracts.

Third. From the company's working capital in the Dresdner Bank was withdrawn by the sequestrator:

(a) 50,000 marks, which were invested in German war bonds on April 19, 1918.

(b) 40,000 marks were deposited with the Treuhauder, fuer das feindliche Vermoegeen, June 29, 1918.

These withdrawals resulted in the depletion of the working capital of the German company, so serious that the business was unable to continue as before.

Fourth. The sequestrator, being short of adequate working capital as a result of No. 3, discontinued the wholesale business of the company and confined the company's activities in its retail sales. This wholesale department had been important and profitable, employing traveling representatives and experts, who brought the S. S. White American products definitely before traders in all central Europe.

Fifth. The retail business was continued, requiring the employment of a large staff involving a heavy overhead charge on the business, which in turn dwindled because of the cancellation of all advertising contracts by the sequestrator, and thus became necessarily unprofitable.

Sixth. The sequestrator bought merchandise from German manufacturers and other factors, and resold the merchandise to the business under his control upon debit memoranda without details PAYABLE TO HIMSELF. I personally was shown some of these short memorandas. This practice was followed without any detail explanation of the transactions and is contrary to sound business principles not only in Germany but throughout the world. The prices paid to Mr. Meyers individually for acting as purchasing agent by himself as official sequestrator left only a small margin to cover the cost of handling and selling dental supplies, while it would have been possible, if the transactions had been handled in a regular man-

40 ner at the price at which purchased from the manufacturers, to have conducted this business at a profit. Suspicion naturally attaches to this method of handling purchases, for the reason that any ordinary buyer dealing in good faith with the business for which he is acting submits the manufacturers' invoices in detail as vouchers to justify the amounts paid. The claimant believes upon credible general information and the circumstances surrounding these transactions that they were for the benefit of the German agent, who thus derived unlawful profits therefrom. No account has ever been rendered by him of these transactions, and claimant is not now and may not hereafter be able to definitely prove the same because of the concealment of the acts and the destruction of evidence thereof naturally incident thereto.

Seventh. In addition, Mr. Meyers, without authority from the claimant, took from the funds of the German company marks 4,948 and made a subscription to the German war loan of marks 5,000, which is a complete loss, thus further depleting the capital.

Eighth. He removed furniture from the office of the German company, some to his own office and some to the Enamelline Works at Hoech st a. Main, where his son was employed, paying inadequate prices therefor.

Ninth. Toward the end of the period of official control a burglary occurred under suspicious circumstances, and it was impossible to hold the insurance company for the loss because the sequestrator had failed to keep the burglar alarm in efficient operating condition, as provided by the terms of the insurance policy.

Tenth. The course followed by the sequestrator to destroy the German company could not have been better devised.

The result of this administration was to dissipate the physical property of the German company, to finally destroy the good will, and the entire value of the business as a going concern, which had existed in Germany for more than twenty years prior to its sequestration for the sole purpose of selling the S. S. White products.

This result can only be attributed to the official misconduct of the representative of the German Government. The sources of information as to the amount of the assets and the losses due thereto hereinafter stated are from the books and accounts rendered by the German company to the home office in Philadelphia and from statements made by H. Ubert.

From the beginning all transactions between the German company and the parent corporation were in dollars. All prices were quoted in dollars and all financial reports from the German company to the parent corporation were made in dollars, and the statements of values, earnings, and losses are all stated in dollars in the claim presented by the company.

The claim of The S. S. White Company may be summarized as follows:

Item No. 1. This item of \$161,033.03 represents the value of the physical assets of the German corporation as of March 18, 1918, the date of sequestration as shown by certified reports from the German company and reconciled with the books and records of the American company less the sum of \$6,000 salvage from the sale of the German company in February, 1922. It consisted of—

41	Cash	\$60,565.80
	Accounts receivable	50,739.75
	Bills receivable	6,485.46
	Furniture & fixtures	5,709.59
	Merchandise Inv	47,910.69
	Expenditures made by American Co. for German Co. not on German Co.'s books	914.40
		172,325.78
	Less accounts payable	5,292.75
		167,033.03
	Less salvage of German Co.	6,000.00
		161,033.03

The balance sheet of the German company as of March 18, 1918, is appended as Exhibit D. The reconciliation statement is given in Exhibit G.

The president of the claimant company went personally to Germany in January and February, 1922, and as hereinbefore stated negotiated the sale of the physical assets and leasehold of the German company for \$6,000, excepting the funds deposited in the London branch of the Dresdner Bank. (See Exhibit E.)

No claims for patent rights, trade-marks, or premiums on war risk insurance are included in this item. No part of this investment has been returned to or received by claimant.

Item No. 2. This item of \$23,519.93 represents the normal profits of the German company from March 18, 1918, the date of sequestration, to December 31, 1918. Of this year's operation, the first two and a half months were under the control of the former agent of the American company and the other nine and one-half months under the sequestrator. This profit of 1918 should at least have been equal to the profit of 1917, and therefore the amount shown represents the estimated earnings for nine and one-half months of 1918 based on the actual of the prior year. In 1917 business conditions were less favorable than in 1918.

No accounting for or payment of any of these profits has been made to the claimant.

Item No. 3. This item of \$30,560.01 represents the normal estimated profits of the German company for the calendar year of 1919, which was an enormously active year in the dental trade. The business should have produced from 25% to 50% more than in 1918. The 1917 figures increased by \$6,112.00 would amount to \$30,560.01.

No accounting for or payment of any of these profits has been made to the claimant.

Item No. 4. This item of \$6,366.65 represents the normal estimated profits from January 1, 1920, to March 15, 1920, the date on which the sequestration ceased and the property was returned to the agent of the American company. It is based on the 1919 estimated earnings for a period of two and one-half months.

No accounting for or payment of any of these profits has been made to the claimant.

Item No. 5. This amount of \$887.30 represents a cash balance of £182 11 5 on deposit in the London branch of the Dresdner Bank to the credit of The S. S. White Dental Manufacturing Company, m. b. h., which was excepted from the sale of the assets of the German company to Ubert, Reifensahl & Company. This amount was composed of deposits in English money on sales made by the German company in England, and paid for in English money. According to letters from the Dresdner Bank in Berlin (Exhibit E), this amount has been remitted to the main office of the bank in Berlin, and under date of October 22, 1922, a letter was sent to the former office of the German S. S. White Company offering to settle this amount, but the offer was not accepted. No part of this amount has been paid to or received by the claimant.

Item No. 6. This item of \$145,966.40 represents the consequential injury and damage by loss of development work referred to as good will in the central European field due to the sequestration policy of its representative in charge of the property. This item is established as follows:

The average invested capital and the average actual net profits for a ten-year period from 1904 to 1913, inclusive, are used for the reason that this is the last decade of normal peace-time operation. A charge of 6% per annum on the average investment for ten years

is first made against the average net earnings for that period and the balance of the earnings is capitalized on a ten-year basis, thus ascertaining the consequential injury and damage to the claimant through its loss of a valuable selling subsidiary in a foreign field. The detailed computation showing the invested capital and the net earnings is herewith set forth:

	Invested capital	Earnings
1904-----	\$239,897.78	\$19,661.15
1905-----	237,916.04	26,474.82
1906-----	220,099.98	60,304.75
1907-----	209,646.17	25,435.56
1908-----	230,658.20	6,365.86
1909-----	246,886.43	41,005.16
1910-----	217,224.65	35,834.72
1911-----	277,431.56	62,635.42
1912-----	228,303.80	4,914.99
1913-----	192,262.82	1,353.55
	<hr/>	<hr/>
Average invested capital-----	2,300,327.44	283,985.98
		<hr/>
Average net earnings-----		28,398.60
6% of average invested capital-----		13,801.96
		<hr/>
Average earnings in excess of 6%-----		14,596.64
		<hr/>
Balance of earnings capitalized on 10-year basis-----		145,966.40

The ten-year term is used because the good will of the German company was its chief element of value. It had been in successful operation as a profitable and going concern for more than twenty years; it had built up a reputation in Germany and other parts of Europe for the S. S. White dental products in the face of cheaper and inferior goods; and as a result of the acts of misconduct of the sequesteror, heretofore enumerated, and of his management of the property this element of value was completely destroyed, and had it not been for the sequestration and for the improper and illegal acts of the sequesteror the German company could have been operated at a profit and its good will preserved.

At the time of the interference of the German Government with the business of the German company by the appointment of a  
 43 sequesteror the company was conducting its business successfully, and its claim is based upon that act of interference and the character of the administration of the business by the sequesteror as above stated.

The business of the company was self-sustaining and during the war period would not have, had it remained in its own control, been affected by the limitation of the ability to import its articles. It would have continued to be a self-sustaining business dealing temporarily in German articles. If, therefore, there had been no interference with the control of the business by the company, or if after such interference it had been fairly and properly managed by the

sequestrator, the company would have been able, when conditions became normal, to reestablish its business and to maintain the good will of its American products without material loss.

STATE OF PENNSYLVANIA,

*County of Philadelphia, ss:*

I, Frank H. Taylor, do solemnly affirm that I am president of The S. S. White Dental Manufacturing Company, a corporation organized and existing under the laws of the State of Pennsylvania, the claimant in the foregoing petition; that I have executed this affidavit and signed my name as president under due and sufficient authority for and on behalf of said corporation; that I have read the foregoing petition and know its contents; and that all and singular the statements therein made are true to the best of my knowledge, except those made on information and belief. As to the statements made on information and belief, they are made as a result of personal inquiry from persons having first-hand knowledge of the facts, and I am advised that they are accurate and believe them to be true.

FRANK H. TAYLOR, *President.*

Subscribed and affirmed to before me this twentieth day of April, 1923, in the city of Philadelphia, State of Pennsylvania. I certify that I have no interest in the claim to which the foregoing petition relates; that I am not the agent or attorney of any person having an interest in said claim, and that I am not related to the said subscriber.

WILLIAM J. RUSSELL,  
*Notary Public.*

## XIX

Alfred L. Geiger, attorney for The S. S. White Dental Manufacturing Co. of Pennsylvania, in the matter of its claim before the Mixed Claims Commission, has received the following letter from the Mixed Claims Commission:

MIXED CLAIMS COMMISSION,  
UNITED STATES & GERMANY,  
UNITED STATES AGENCY,  
*911 Fifteenth St., Washington, January 30, 1924.*

SIR: This is to notify you that the Mixed Claims Commission, United States and Germany, has granted an award in the case of The S. S. White Dental Manufacturing Company, claimant, which provides that the Government of Germany is to pay to the Government of the United States, on behalf of the claimant, the sum  
44 of \$70,000.00, with interest thereon at five per cent per annum from February 1, 1920, to the date of payment.



Of course, you will understand that an award does not mean immediate payment, as no fund has yet been provided for the satisfaction of these claims.

I have the honor to be, sir,  
Your obedient servant,

ROBERT W. BONYNGE, *Agent.*

Mr. ALFRED L. GEIGER,  
*Albee Bldg., Washington, D. C.*

#### *Conclusion of law*

Upon the foregoing special findings of fact, which are made a part of this judgment, the court decides, as a conclusion of law, that the plaintiff is entitled to recover the sum of \$83,813.59, with interest thereon at the rate of 6 per cent per annum from November 14, 1923. It is therefore adjudged and ordered that the plaintiff recover of and from the United States the sum of \$83,813.59, with interest thereon at the rate of 6 per cent per annum from November 14, 1923, to the date of this judgment.

#### *Opinion*

HAY, Judge, delivered the opinion of the court:

It is shown from the findings of fact that the plaintiff made an original and amended income tax and profits tax return for the year 1918 to the Commissioner of Internal Revenue in which it deducted the sum of \$130,764.34, for the year 1918, this sum being the value of all the assets of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, which were shown on the books of The S. S. White Dental Manufacturing Co. of Pennsylvania in 1918, which the plaintiff designated as its Berlin loss, because on March 19, 1918, the German sequestrator seized and sequestrated its property in Berlin, which consisted of fixtures, cash, book accounts, merchandise, stock, and accounts due and owing the said company.

The plaintiff was the sole owner of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, at the date of the sequestration by the Imperial German Government of the property aforesaid, and at said date the amount of the investment of the plaintiff in its German property, as shown by its books was \$130,764.34. On account of this sequestration of its property the plaintiff charged off its books in the year 1918 the said sum of \$130,764.34, which sum appeared on its books as a loss. The effect of the sequestration of plaintiff's property was to destroy and to cause a loss to the plaintiff, which was absolute in 1918. Afterwards in 1921 the plaintiff sent an agent to Germany to investigate the condition and prospect of the German company, and becoming convinced that its condition was hopeless the said agent sold the tangible assets and its lease for the sum of \$6,000. This sum was duly returned as income for the year



1921. The plaintiff also filed a claim with the Mixed Claims Commission, United States and Germany. That commission has allowed said claim to the extent of \$70,000, with interest at 5 per cent per annum from February 1, 1920, until paid. But no part of said  
 45 \$70,000 had been paid to the plaintiff and no fund has been provided for the satisfaction of said claim.

Under date of May 15, 1924, the Commissioner of Internal Revenue rejected the refund claim of the plaintiff, filed under date of November 24, 1923, for the recovery of the sum of \$83,813.59 paid as taxes by it under protest.

The plaintiff's property was sequestered in 1918; the loss suffered thereby was charged off the books of the plaintiff as a loss in 1918; the plaintiff deducted its loss in its income and excess profits tax return for 1918, the year in which it was sustained.

The Commissioner of Internal Revenue seems to have based his action in rejecting the claim of the plaintiff upon the idea that it had a good claim against the German Government, which claim he thought would be eventually paid. The following extract from the decision of the committee on appeals and review, which was approved and adopted by the commissioner, will more fully explain his view of the case:

It is the committee's opinion that the act of sequestration in 1918, in and of itself, did not result in an actual sustained loss in that year, which loss was susceptible of being measured in dollars and cents. It is also the committee's opinion, and this seems to be borne out by subsequent events, that by such act the appellant was temporarily dispossessed of property and investment in the Berlin branch with a consequent cessation of business and inability to realize possible profits during the indefinite period of sequestration. It is apparent that concurrent with the act of sequestration there arose a right or claim against the German Government for loss or damage resulting therefrom, which right or claim at the time could not be estimated as to value by any reasonable process of calculation. Losses to be deductible must ordinarily be evidenced by a completed or closed transaction.

The parts of the revenue act of 1918 (40 Stat. 1057) which are pertinent to this case are as follows:

SEC. 232. That in the case of a corporation subject to the tax imposed by section 230 the term "net income" means the gross income \* \* \* less the deductions allowed by section 234, \* \* \*.

SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise.

As there is no controversy with respect to the correctness of the amount of tax assessed and collected, the only question for determination is whether or not the plaintiff suffered a deductible loss during

the calendar year 1918 within the meaning of the statute above quoted.

It must be admitted that the effect of the action of the German Government was to cause the plaintiff to lose control of and title to the property in March, 1918; it followed that the property was lost to the plaintiff, and there was no means open to it by which it could or did regain control of or title to the property during the year 1918.

46 The loss was complete for the year 1918; it could be and was determined; the transaction for that year was closed and completed. The loss has continued down to the present time with the exception of \$6,000 salvaged from the property in 1921. It seems the commissioner loses sight of the fact that the plaintiff will only receive from Germany the sum of \$70,000 and when it will receive that is wholly problematical; so that according to his own reasoning the commissioner should have at least allowed the plaintiff the sum of \$60,764.34, the difference between the sum originally charged to the plaintiff and the amount which has been allowed on its claim.

The loss sustained by the plaintiff was in our opinion a loss deductible during the calendar year 1918 within the meaning of the statute. Because the plaintiff has a claim which may or may not be paid does not alter the fact that it suffered this loss in the year 1918 and has continued to suffer it down to the present time. The Government can not continue indefinitely to hold its taxpayers to account upon the idea that something may happen in the future which will change existing conditions. Losses, which are deductible, it is said, "must be evidenced by closed and completed transactions." Certainly this transaction was closed and completed in 1918; it remains completed so far as the loss of the plaintiff is concerned. That is surely complete and has continued to be complete from that time to this. In the construction of statutes common sense must at times be applied, and the facts in this case lead to but one conclusion, which is that the plaintiff suffered such a loss as the statute contemplated when losses were made deductible by its terms.

Judgment will therefore be awarded the plaintiff in the sum of \$83,813.59, with interest.

It is so ordered.

GRAHAM, Judge; DOWNEY, Judge; BOOTH, Judge; and CAMPBELL, Chief Justice, concur.

47

*V. Judgment*

Nov. 9, 1925

At a Court of Claims held in the city of Washington on the 9th day of November, A. D. 1925, judgment was ordered to be entered as follows:

The court, upon due consideration of the premises, find in favor of the plaintiff, and do order and adjudge that the plaintiff, as

aforesaid, is entitled to recover and shall have and recover of and from the United States the sum of eighty-three thousand eight hundred and thirteen dollars and fifty-nine cents (\$83,813.59), with interest thereon at the rate of 6 per cent per annum from November 14, 1923, to the date of this judgment.

By the COURT.

48 [Clerk's certificate to foregoing papers omitted in printing.]

[File No. 31680. Court of Claims. Term No. 957. The United States, petitioner, vs. The S. S. White Dental Manufacturing Company of Pennsylvania. Petition for a writ of certiorari and exhibit thereto. Filed February 5th, 1926. File No. 31680.]

○



Supreme Court of the United States

*Order allowing certiorari*

Filed April 19, 1926

The petition herein for a writ of certiorari to the Court of Claims is granted. And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

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# In the Supreme Court of the United States

OCTOBER TERM, 1925

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No. 957

THE UNITED STATES, PETITIONER

*v.*

THE S. S. WHITE DENTAL MANUFACTURING COM-  
pany of Pennsylvania

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## BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIO- RARI TO THE COURT OF CLAIMS

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### OPINION OF THE COURT OF CLAIMS

The opinion in this case has not yet been officially reported, but it appears at pages 66-68 of the record.

### JURISDICTION

Judgment of the Court of Claims was rendered November 9, 1925. (R. 68.) The petition for certiorari was filed February 5, 1926 (R. 69). Jurisdiction to issue the writ is conferred upon the Court by Section 3 (b) of the Act of February 13, 1925 (chap. 229, 43 Stat. 936, at 939).



**THE QUESTION INVOLVED**

Did the claimant below, on the facts found and as a result of the sequestration of the property and business of its German subsidiary by the German government on March 19, 1918, sustain a loss during the taxable year 1918 not compensated by insurance or otherwise within the contemplation of the Revenue Act.

**STATEMENT OF THE CASE**

The claimant sued to recover taxes paid by it under protest in the amount of \$83,813.59, alleged to have illegally collected, and claim for refund of which had been denied. The basis of its claim was that it had sustained a deductible loss during the year 1918 within the meaning of Section 234 (a) (4) of the Revenue Act of 1918 (chap. 18, 40 Stat. 1057, 1078), but which had not been allowed by the Government in the computation of its net taxable income for 1918. (R. 57, 58.)

The claimant had a subsidiary company in Berlin, Germany, the property of which was seized on March 19, 1918, by the then Imperial German Government, acting through an agent known as the sequestrator. On that account, in its tax return for the year 1918 the claimant deducted a loss of \$110,764.34. Later an amended return was filed and a loss of \$130,764.34 was deducted for the year 1918. (R. 50.)

In Finding II of the Court of Claims it is stated that the investment was charged off the books in

1918. (R. 51.) What is meant by this finding is explained in Finding VIII (R. 54, 55), which sets the resolution of the board as follows:

Stated meeting, board of directors, July 29, 1918.

The S. S. White Dental Mfg. Co., m. b. h., Berlin.

Whereas The S. S. White Dental Mfg. Co., m. b. h., Berlin, represents the following investments in this company's assets as of December 31, 1917:

A-19, capital stock.....	\$15,000.00
B-28, furniture & fixtures.....	7,046.26
B-17, open accounts.....	127,670.75
Less formerly adjusted.....	18,952.67
	<hr/>
	108,718.08
	<hr/>
	130,764.34

and

Whereas in 1916 there was charged as a reserve against this amount the sum of \$20,000; and

Whereas under continued condition of war the loss will, in the judgment of this board, soon be complete:

Resolved, That additional reserves be set up on the following basis, viz, \$15,000 quarterly, beginning March, 1918, until liquidated.

This amount, claimed as a loss in 1918, was the investment of the claimant in the subsidiary company as shown by the books on December 31, 1915, at which time the last authentic report was received. (R. 50, 51, 54.) The loss was disallowed by the committee on appeals and review of the In-

ternal Revenue Bureau (R. 56), and by the Commissioner of Internal Revenue, because it was not a closed and completed transaction in 1918. (R. 49, 58.)

The property of the Berlin company was released and returned to the claimant or its subsidiary on March 14, 1920. (R. 63.) The physical assets and leasehold of the subsidiary were sold by claimant in 1922 for \$6,000. (R. 62.) In 1923 the claimant filed a claim with the Mixed Claims Commission against Germany in the total sum of \$368,333.32 on account of the loss of its subsidiary (R. 58), and on January 30, 1924, was notified by the agent of that commission that the claim had been allowed for \$70,000, with interest at 5 per cent from February 1, 1920, to the date of payment. (R. 65.)

The Government contended that the charging off of the loss for 1918 was of no effect of itself and that no loss could be deducted under Section 234 (a) (4) of the Revenue Act of 1918 (hereinafter set out), unless the loss was actually sustained as evidenced by a closed and completed transaction. On the Government's theory there was no closed and completed transaction in 1918.

The Court of Claims held that "the plaintiff suffered such a loss as the statute contemplated when losses were made deductible by its terms." (R. 68.)

## THE STATUTES

The pertinent parts of the Revenue Act of 1918 (40 Stat. 1057) are as follows (R. 2):

Sec. 232. That in the case of a corporation subject to the tax imposed by section 230 the term "net income" means the gross income \* \* \* less the deductions allowed by section 234 \* \* \*.

Sec. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise.

## ARGUMENT

## I

THE SEQUESTERED PROPERTY HAD NOT BEEN *lost* IN 1918, WITHIN THE CONTEMPLATION OF THE STATUTE

"Sequestered" and "confiscated" are not synonymous. The word "sequestered" in contemplation of international law is defined by Webster's Dictionary as follows:

To appropriate under the right of pre-emption.

or—

The right of belligerents to seize and purchase at an appraised price contraband other than absolute contraband.

The word "confiscate" is defined by the same authority as—

To cause a person to forfeit property to the State.

The property sequestered by the German government in the instant case was taken over by that government through the sequestration during the period of hostilities, and the record does not disclose or indicate that respondent's title to the property was thereby forfeited or that the German government in any way indicated its non-liability for damage or loss resulting therefrom. The property was returned to the respondent by the German government after the cessation of hostilities and, as is hereafter shown, the right was possessed by respondent to compensation for the loss sustained on account of such sequestration of its property. The record further shows that the respondent has recognized and vigorously asserted its rights in that regard.

It is apparent, therefore, that at the time respondent's property was sequestered in 1918 it was not definitely known whether or not ultimately there would be a loss, and if so, the amount thereof. Before the end of 1918, as will be demonstrated, it had been established that in all likelihood this damage, with other similar damage, would be compensated by the German government. The transaction was not closed and completed during the year 1918, and no loss was definitely sustained during the year in which respondent sought to take its deduction.

Furthermore, the situation in the instant case seems to be disclosed by the respondent's own action and attitude. While, as pointed out, in the statement of the case (page 1, petition and transcript of record), the Court of Claims in Finding II (R. 51) stated that the investment was charged off the books in 1918, what was meant by Finding II is disclosed in Finding VIII (R. 55), which shows that in 1916 \$20,000 had been set up as a reserve for losses on the investment of \$130,764.34, and it was resolved in 1918 "that additional reserves be set up on the following basis, viz, \$15,000 quarterly, beginning March, 1918, *until liquidated.*" (Italics ours.) This seems clearly to indicate that the net value of the investment, as shown on the books, was reduced in 1916, before the seizure, to \$110,000, and it was further reduced, as a result of the seizure, \$60,000 in 1918, and the balance in 1919. This appears to indicate that the company did not regard all the property as *lost* in 1918.

Finally, the events of 1918, of which the Court may take judicial notice, will further indicate that there was no loss sustained in 1918. Germany was defeated in 1918, and before the end of that year it was certain that she would be made to return seized American property and pay for that part of it lost or damaged, to the extent she was financially able to pay. The Armistice agreement was concluded between the allied and associated governments and Germany on November 11, 1918. In the course of the pre-armistice negotiations it was

agreed by Germany and by the principal allied and associated powers "that compensation will be made by Germany for all damage done to the civilian population and loss of their property by the aggression of Germany by land, by sea, or from the air." It was stipulated that this would be one term of the peace treaty about to be negotiated. (See note of November 5, 1918, from Secretary of State Lansing to the Swiss minister in charge of German interests.)

Clause XIX of the Armistice agreement states:

With the reservation that any subsequent concessions and claims by the allies and the United States remain unaffected, the following financial conditions are imposed:

Reparations for damage done \* \* \*

(Armistice agreements, Senate Document No. 147, 66th Congress, First Session.)

The treaty between the United States and Germany restoring friendly relations was signed at Berlin August 25, 1921. The same treaty was ratified by the Senate on October 18, 1921, by the President on October 21, 1921, and by Germany on November 2, 1921 (42 Stat., Part 2, 1939).

The Treaty of Versailles was signed on June 28, 1919, and Articles 231 and 232 thereof provide that Germany will make compensation for all damage done to the civilian population, and in Annex I for damage for all property which has been carried off, seized, injured or destroyed by the acts of Germany (see Treaty Series No. 658, pp. 30, 31, 34, 35).

The Mixed Commission on Claims, created under the agreement of August 10, 1922 (42 Stat., Part 2, 2200), which commission considered and passed upon the claim herein, thus carried on the provisions of the Treaty of Berlin which embodied and gave effect to the provisions of the Armistice agreement. Thus in November, 1918, so far as it might be done, it had been provided that the respondent would be compensated. There was therefore no justification for a claimed loss for that year.

## II

### THE MEANING OF THE WORD "LOSSES" AS USED IN THE REVENUE ACT OF 1918

The Revenue Act of 1918, as well as prior and subsequent revenue acts, provides for different classes of deductions, one of which is on account of "losses sustained during the taxable year and not compensated for by insurance or otherwise." (Sec. 234 (a) (4).) Another class of deductions is "debts ascertained to be worthless and charged off within the taxable year." (Sec. 234 (a) (5).)

While the statute does not expressly provide that deductions for losses shall be evidenced by closed and completed transactions, it does in effect so provide with respect to deductions on account of worthless debts, since it provides that debts to be deductible must be ascertained to be worthless and must be charged off within the taxable year, thus constituting a closed and completed transaction.



The United States Board of Tax Appeals has considered the matter of allowance of deductions for bad debts, applying the rule that such deductions must be evidenced by closed and completed transactions, in the following cases:

*Appeal of Greenville Textile Supply Co.*,  
1 B. T. A. 152.

*Appeal of Steele Cotton Mill Co.*, 1  
B. T. A. 299.

*Appeal of C. S. Webb, Inc.*, 1 B. T. A. 269.

*Appeal of Alemite Die Casting & Mfg. Co.*,  
1 B. T. A. 548.

*Appeal of Harry Gottlieb*, 1 B. T. A. 674.

The word "losses," as used in Section 234(a) (4) of the Revenue Act of 1918 denotes definitely closed and completed transactions which result in the diminution of the net worth or income of the taxpayer. The term "losses sustained," within the meaning of the statute, does not have reference to the conversion of one kind of property into another, such as the conversion of a tangible asset into an intangible one, whereby the net worth of the taxpayer has not been changed. A deductible loss under the statute must be more than an apparent or possible loss; it must be one that has been definitely and finally sustained, with respect to which there does not exist any contingency which may affect the question of whether or not a decrease of value or diminution of net worth has in fact occurred. In connection with the term "losses sustained," the statute further provides the qualification "and not compensated for by insurance or

otherwise." It is thus apparent that within the meaning of this statute a loss is not sustained so long as there is any contingency which may result in compensation for the loss, whether by insurance or otherwise.

A careful consideration of the provisions in the Revenue Act and of the method devised by Congress for the assessment and collection of internal revenue taxes can lead only to the conclusion that a deductible loss under the statute must be evidenced by a closed and completed transaction, which must result in a definitely ascertainable decrease of net worth. Thus, where a taxpayer involuntarily parts with the possession of physical or tangible property, and in the ordinary sense has sustained a loss of that property, but concurrently therewith a claim arises in favor of the taxpayer for compensation therefor, and a reasonable expectancy exists for the recovery of such compensation, then a deductible loss under the Revenue Act has not occurred, for the reason that the transaction is in effect only a conversion of a tangible asset into an intangible asset, and the taxpayer's net worth remains the same. If thereafter it be determined that the claim for compensation has become worthless, as through the insolvency of the debtor or by arbitrary refusal of a sovereign government to make restitution or allow compensation, or the claim is otherwise determined to be uncollectible, a deductible loss would thereupon

and at that time be sustained by the taxpayer with respect to such claim or intangible asset. This leads to a consideration of the matter of the determination of a loss as affecting the question of when the loss is sustained.

### III

#### DISTINCTION BETWEEN THE TIME WHEN A "LOSS" IS SUSTAINED AND THE ASCERTAINMENT OR DETERMINATION OF THE AMOUNT OF SUCH LOSS

Section 234 (a) (4) of the Revenue Act of 1918 provides that, in computing the net income of a corporation, there shall be allowed as deductions "losses sustained during the taxable year and not compensated for by insurance or otherwise." In the instant case respondent seeks to construe the provision above quoted as meaning that the loss must be compensated for during the taxable year in order to prevent its being deductible, thus in effect making the provision in question read, "losses sustained during the taxable year and not compensated for *during the taxable year* by insurance or otherwise." The vice of such a construction is at once apparent upon consideration of the results which would flow therefrom. Such a construction would inevitably lead to unjust discrimination and the unequal assessment and collection of taxes in the cases of taxpayers similarly situated with respect to losses sustained during the same taxable year. For example, if A sustained a

loss by fire during the month of December, 1918, such loss being compensated by insurance, if the compensation was received by A before the expiration of the year 1918, clearly no deductible loss would be sustained. If B sustained a loss by fire at the same time and under the same circumstances, but his loss was not compensated by insurance during the taxable year, although a claim in his favor may have arisen at the time, he would be entitled, under the construction of the statute urged by respondent, to deduct the amount of such losses and thereafter treat the compensation as taxable income for the year in which received. If such compensation was so received by B after Congress had provided lower rates of taxation in the Revenue Act of 1921 or the Revenue Act of 1924, this would result in the payment of a proportionately less tax by B than by A, notwithstanding the only difference with respect to their losses was the fact that A received compensation for his loss during the taxable year 1918, whereas B received compensation for his loss in a subsequent year. This in effect is the result sought by respondent in its action herein. Clearly such was not the intent of Congress. Further, it is confidently asserted that the language used in the statute does not require, and indeed will not permit such a construction to be placed thereon.

The question of when a loss is sustained is in no-wise dependent upon when the loss is discovered,

nor is it dependent upon how the taxpayer may regard the transaction giving rise thereto. The Revenue Act of 1918 imposes no duty upon the taxpayer to determine the loss and charge same off his books during the taxable year as in the case of a bad debt, or to set up reserves to liquidate it, in order to constitute a deductible loss. The question of whether a deductible loss has been sustained during the taxable year, and not compensated by insurance or otherwise, must be determined solely from the facts of each case. Thus a taxpayer may suffer a loss by burglary or embezzlement during the taxable year 1918, and the amount of such loss, or indeed the very fact of such loss, may not be discovered until after the close of that year; but if the amount of such loss is definitely ascertainable by any reasonable method of computation and it appears to be a final loss, not compensated by insurance or otherwise, the taxpayer sustained the loss during the year 1918. He is therefore entitled to deduct such loss from his taxable income for that year.

In the instant case, the facts as found show that respondent did not sustain a loss during the year 1918 by reason of the sequestration of the property of the Berlin company by the German government, not compensated by insurance or otherwise, and evidenced by a closed and completed transaction. On the contrary, the facts show that, concurrently

with the sequestration of the property of its Berlin company, a claim arose in favor of respondent against the German government for any loss resulting therefrom; that during 1918 the military defeat of Germany made restoration or confiscation certain, barring her insolvency; that the property sequestered in 1918 was returned to respondent by the German government in 1920, a part of which property it sold in 1922 for the sum of \$6,000.00; that in 1923 respondent presented to the Mixed Claims Commission on account of its said loss a claim against Germany for the sum of \$368,333.32, which was subsequently allowed by the Mixed Claims Commission in the sum of \$70,000.00. It is apparent, therefore, that the act of sequestration in and of itself did not result in any loss to respondent during the year 1918, but merely resulted in the conversion of mixed assets (tangible and intangible) into an intangible asset. It may be further stated that the facts show that respondent has not yet sustained any deductible loss by reason of said sequestration, and if the claim allowed in its favor by the Mixed Claims Commission is ultimately paid, no deductible loss will be sustained, since the Mixed Claims Commission has in effect determined that the sum of \$70,000.00, with the interest specified, will compensate respondent for its loss resulting from said sequestration.

## IV

## REENACTMENT OF STATUTE AS ADOPTING PRIOR ADMINISTRATIVE CONSTRUCTION

The Revenue Act of 1916, approved September 8, 1916 (Chap. 463, 39 Stat. 756, 767, 768), provided in pertinent part as follows:

Sec. 12. (a) In the case of a corporation  
 \* \* \* organized in the United States,  
 such net income shall be ascertained by de-  
 ducting from the gross amount of its in-  
 come received within the year from all  
 sources—

\* \* \* \* \*

Second. All losses actually sustained and  
 charged off within the year and not compen-  
 sated by insurance or otherwise \* \* \*.

Regulations No. 33 promulgated under the Revenue Act of 1916 provided in pertinent part as follows:

## LOSSES

ART. 147. When deductible.—The deduction for losses must represent losses not compensated for by insurance or otherwise and which were charged off and *actually sustained within the year as evidenced by closed and completed transactions.* \* \* \*  
 (Italics ours.)

This regulation constituted an administrative construction of the statute by the executive department of the Government charged with its enforcement.

Thereafter, in the Revenue Act of 1918, Section 234 (a) (4), hereinabove quoted, Congress reenacted substantially the same provision as contained in the Revenue Act of 1916, by providing that in computing the net income of a corporation there shall be allowed as deductions:

Losses sustained during the taxable year and not compensated for by insurance or otherwise.

The Department continued to construe this provision as meaning that such losses to be deductible must be evidenced by closed and completed transactions. (Regulations 45, Art. 141.)

Again, in the Revenue Act of 1921, approved November 23, 1921 (Chap. 136, 42 Stat. 227, 254, 255), Congress reenacted substantially the same provision with respect to corporate deductions on account of losses, and in addition thereto specifically conferred on the Commissioner authority to permit such losses to be accounted for as of a different period when in his opinion such accounting was necessary in order to clearly reflect the income. The Revenue Act of 1921 provided:

Sec. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

(4) Losses sustained during the taxable year and not compensated for by insurance



or otherwise; unless, in order to clearly reflect the income, the loss should in the opinion of the Commissioner be accounted for as of a different period. \* \* \*

The regulations issued under the Revenue Act of 1921, and which constituted the Department's construction of the meaning of this provision, were substantially the same as under the prior Acts. (Regulations 62, Art. 141.)

The Revenue Act of 1924, approved June 2, 1924, (Chap. 234, 43 Stat. 253, 283, 284), provides:

SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise. \* \* \*

The regulations promulgated under the 1924 Act likewise do not differ substantially in this respect from the prior regulations. (Regulations 65, Art. 141.)

It is therefore respectfully submitted that Congress, in reenacting in the Revenue Acts of 1918, 1921, and 1924 substantially the same provisions as were contained in the Revenue Act of 1916 with respect to corporate deductions for losses, must be presumed to have known the administrative construction given to those provisions by the executive department charged with the administration of the

revenue laws and to have given legislative approval thereto.

“ Where the meaning of a statute is doubtful, the construction given it by the department charged with its execution should be given great weight, for the reason, among others, that if such construction does not properly interpret the meaning and intent of Congress, Congress, by amendment or reenactment of the statute, can readily correct the same. This presumption that the department charged with the execution of the law has properly interpreted it is strengthened in proportion to the length of time such construction has obtained without challenge by the law-making power, so that, where such executive construction has been long continued, a court has a right to presume that Congress is content therewith. This exhausts the full force and effect of such construction, and, while not binding upon a court, nevertheless a court will be slow to depart therefrom, unless the language of the statute itself absolutely requires it to do so.”

*Mayes, Collector, v. Paul Jones & Co.,*  
270 Fed. 121, 129-130.

*Edwards, Collector, v. Wabash Ry. Co.,*  
264 Fed. 610.

*Malley, Collector, v. Walter Baker & Co., Limited,* 281 Fed. 41.

*United States v. Cerecedo Hermanos y Compañia,* 209 U. S. 337.

*Maryland Casualty Co. v. United States*,  
251 U. S. 342, 355.

*National Lead Company v. United States*,  
252 U. S. 140.

#### CONCLUSION

To the reasons advanced for the granting of the writ which are set out at page 3, printed petition and transcript of record, and the argument in support thereof, *supra*, it may be added that the precise question presented in this case has not heretofore been the subject of consideration by the Federal courts. In the case of *United States Trust Co. of New York v. Gilchrist*, 206 N. Y. Supp. 485, 488, the court held that it was for the taxpayer to establish his right to a deduction and the amount thereof. In *Re Harrington*, 1 F. (2nd) 749, the court held that it was sufficient when the plaintiff showed that the stock involved was known to be worthless and a satisfactory showing was made of its worthlessness; that the company was insolvent and had suspended operations, and in such a case it was unnecessary to await the formal termination of the receivership.

The Court of Claims in its opinion (R. 66-68), decides the question adversely to the Government's contention, but cites no authorities and lays down no principle, but says (R. 68):

The loss sustained by the plaintiff was in our opinion a loss deductible during the calendar year 1918 within the meaning of the statute. Because the plaintiff has a claim

which may or may not be paid does not alter the fact that it suffered this loss in the year 1918 and has continued to suffer it down to the present time. The Government can not continue indefinitely to hold its taxpayers to account upon the idea that something may happen in the future which will change existing conditions. Losses, which are deductible, it is said, "must be evidenced by closed and completed transactions." Certainly this transaction was closed and completed in 1918; it remains completed so far as the loss of the plaintiff is concerned. That is surely complete and has continued to be complete from that time to this. In the construction of statutes common sense must at times be applied, and the facts in this case lead to but one conclusion, which is that the plaintiff suffered such a loss as the statute contemplated when losses were made deductible by its terms.

It is urged that, in view of the provision in the regulations of the Internal Revenue Bureau that no loss can be deducted unless it has been actually sustained, as evidenced by a closed and completed transaction, which regulation has been consistently followed, and in view of the great number of taxpayers who are directly affected, the case is of large importance. As stated in the petition for certiorari, the claims arising by reason of sequestration of property by Germany make up but a small class as compared with those that come within the general principle. It is urged, there-

fore, that the petition for writ of certiorari to the Court of Claims be granted.

WILLIAM D. MITCHELL,  
*Solicitor General.*

HERMAN J. GALLOWAY,  
*Assistant Attorney General.*

FRED K. DYAR,  
*Attorney.*

March, 1926.

